

BYLAWS
OF
HCS
(a STATE nonprofit corporation)

ARTICLE I
NAME

Section 1. Name. The name of this corporation is HCS (hereinafter referred to as the “Corporation”).

Section 2. Location. The registered and principal offices of the Corporation shall be in the County of Stuart, State of STATE. The Corporation may have such other offices, within or without the State of STATE, as the Board may designate and as the activities of the Corporation may require from time to time.

ARTICLE II
PURPOSE

Section 1. Organization. The Corporation is a nonprofit corporation (i) established and operating in accordance with the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (or the corresponding provisions of any future United States internal revenue law) (“IRC”) and the Treasury Regulations thereunder and (ii) incorporated under the 2016 STATE Code Title 48 - Corporations and Associations Nonprofit Corporations.

Section 2. General Purpose. The Corporation is organized, and at all times shall be operated, exclusively for charitable and educational purposes within the meaning of IRC § 501(c)(3), and the Corporation shall have no power to engage in activities not in furtherance of such purposes. The Corporation is not a corporation organized for profit. No part of the net earnings of the Corporation shall inure to the benefit of any private shareholder or individual. No substantial part of the activities of the Corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation. The Corporation shall not participate in or intervene in (including the publishing or distributing of statements) any political campaign on behalf of a candidate for public office. Notwithstanding any other provisions of these articles, the Corporation shall not carry on any activities not permitted to be carried on (i) by an organization described in IRC § 501(c)(3), (ii) by an organization contributions to which are deductible under the provisions of IRC § 170(c)(2); or (iii) by a corporation organized under the Nonprofit Act.

Section 3. Specific Purposes. The Corporation is organized and will operate exclusively to operate XYZ State Historic Sites managed and funded under an agreement with STATE Department of Environment and Conservation - STATE Historical

Commission. The Corporation will solicit, collect, receive, accumulate, administer, and disburse gifts, funds, and property in such manner as will, in the discretion of the Board of Directors, most effectively further such charitable purposes.

Section 4. Powers. The Corporation will have such powers as are now or may hereafter be granted to corporations under the Nonprofit Act, except as may be limited by the Corporation's articles of incorporation or these Bylaws.

Section 5. Operating Policies, Procedures and Guidelines. The Board may adopt, amend, or restate operating policies, procedures and guidelines from time to time in order to implement the purposes of the Corporation.

ARTICLE III MEMBERS

Section 1. Members. Membership in HCS shall be open to all interested persons concerned with the purposes of the Corporation as set forth in Article II of the Constitution without regard to gender, race, religion, sexual orientation, or nationality.

Section 2. Eligibility. Any person or organization who supports the purposes of the Corporation may become a member by the payment of annual dues in effect at the time. Members are known as Friends.

Section 3. Dues. The dues schedule shall be approved by vote of the Corporation at its annual meeting.

Section 4. Voting. Each member and organizational representative shall be entitled to cast one vote on all matters which come before a meeting of the Corporation.

ARTICLE IV BOARD OF DIRECTORS

Section 1. General. The Board of Directors (the "Board" or the "Directors") of the Corporation will be the governing body of the Corporation and will be vested with the entire management of the business and affairs of the Corporation.

Section 2. Number, Appointment, and Terms. The number of Directors constituting the Board of Directors shall number no less than ten (10) and no more than fifteen (15). The Directors shall be appointed as follows:

(a) There shall be ten (10) Directors appointed or designated as set forth in this paragraph (a) ("Appointed Directors"). The Appointed Directors shall be appointed as follows: The Chair of Historic ABC, Inc. and the Chair of DEF Historical Association shall each appoint five (5) Directors ("Appointed Directors"). Appointed Directors will serve terms of 1-3 years, renewable once so that an Appointed Director serves no more than 4 consecutive years on the Board.

(b) There shall be no more than five (5) additional Directors who will be the initial directors and shall be elected by the Incorporator of the Corporation (“Elected Directors”). The five (5) individuals elected by the Incorporator shall be the initial Elected Directors and no additional Elected Directors need be elected until the term of an Appointed or Elected Director expires or there is a vacancy in a directorship. Elected Directors succeeding the initial Elected Directors shall be elected by the Elected Directors then holding office. Elected Directors shall serve for terms of 2 (2) years and shall not serve for more than two (2) successive terms.

Section 3. Resignation. Any Director may resign at any time by delivering written notice to the Chair of the Board (or the Secretary) and, in the case of an Appointed Director, to the organization that appointed such Director. A resignation is effective when the notice is received unless the notice specifies a later effective date. If a resignation is made effective at a later date, the vacancy may be filled before the effective date if the appointment provides that the successor does not take office until the effective date.

Section 4. Removal. Director (whether Appointed or Elected) may be removed with or without cause by the vote of at least two-thirds of all Directors then in office or such greater number as is set forth in the articles of incorporation or these Bylaws.

Section 5. Vacancies.

(a) If a vacancy occurs with respect to an Elected Directors, the other Elected Director then serving shall fill the vacancy by appointment. A vacancy of both Elected Directors may be filled by majority vote of a quorum of all Directors.

(b) If a vacancy occurs on the Board of Directors with respect to an Appointed Director, the Board will vote to fill the position with an Elected Director.

(c) A Director elected or appointed to fill a vacancy shall hold office until the end of the unexpired term that such Director is filling (or if earlier, until such Director’s death, resignation, removal or disqualification) and in any event until such Director’s successor is elected or appointed and qualifies.

Section 6. Service Without CompensationError! Bookmark not defined..

(a) The Directors shall serve without compensation. Each Director may be paid per diem and mileage incidental to meetings of the Corporation, in accordance with the operating policies, procedures and guidelines of the Corporation, not to exceed standards provided by law for boards, committees, and commissions. Nothing in this Section shall prohibit the payment of reasonable compensation to an employee of the Corporation, in his capacity as an employee, even though such individual may also be serving as a Director.

(b) The Corporation may not directly or indirectly lend money to or guarantee the obligation of a Director or officer of the Corporation.

Section 7. Compliance with IRS Disclosure Requirements. Records of the Corporation shall be maintained and provided in accordance with IRC § 6104. The operating policies, procedures and guidelines of the Corporation shall contain such provisions, including language addressing disclosure of records, as to ensure the Corporation's compliance with Internal Revenue Service disclosure regulations.

Section 8. Conflicts of Interest. The Board shall observe the Conflict of Interest and Compensation Policy attached to these Bylaws as Exhibit A, as such policy may be amended from time to time by the Board.

Section 9. Bond. The Board of Directors may by resolution require any or all officers, agents and employees of the Corporation to give bond to the Corporation, with sufficient sureties, conditioned on the faithful performance of the duties of their respective offices or positions, and to comply with such other conditions as may from time to time be required by the Board of Directors.

Section 10. Inspection Rights of Directors. Each Director shall have the right to inspect and copy (at the Director's expense) during regular business hours the corporate records and financial reports of the Corporation.

ARTICLE V OFFICERS

Section 1. Number. The officers of Board of the Corporation shall consist of a Chair, a Vice-Chair, a Secretary, a Treasurer and such other officers as the Board may from time to time elect, to the extent provided or allowable by the laws of the State of STATE.

Section 2. Election and Term. The officers of the Corporation shall be elected by the Board of Directors. Such elections may be held at any regular or special meeting of the Board. Each officer shall hold no more than one office and shall hold such office for a period of two (2) years or until his earlier death, resignation, retirement, removal, disqualification (and in until a successor is elected and qualifies). The election of an officer shall not in and of itself create any contractual right to continued service for such officer.

Section 3. Removal~~Error! Bookmark not defined.~~. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board with or without cause.

Section 4. Chair. The Chair shall be the chief officer of the Corporation and

he or she shall preside at all meetings of the Board of Directors at which he or she shall be present, and shall represent the Corporation generally in the community. The Chair may sign, with 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 where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be delegated by the Board of Directors to some other officer or agent; and, in general, he or she shall perform all duties incident to the office of Chair (or president) and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5. Vice Chair. In the absence of the Chair, the Vice-Chair, unless otherwise determined by the Board of Directors, shall perform the duties of the Chair and, when so acting, shall have all the powers and be subject to all the restrictions upon the Chair. The Vice-Chair shall perform such other duties as may be assigned from time to time by the Chair or the Board of Directors.

Section 6. Secretary. The Secretary shall (a) cause to be prepared minutes of all meetings of the Board or committees; (b) authenticate records of the Corporation when requested to do so; (c) give all notices required by law and by these Bylaws; (d) have general charge of the corporate books and records and of the corporate seal, and affix the corporate seal (if any) to any lawfully executed instrument requiring it; (e) sign such instruments as may require such signature; (f) cause such corporate reports as may be required by law or these Bylaws to be prepared and filed in a timely manner; and (g) in general, perform all duties incident to the office of secretary and such other duties as may be assigned from time to time by the Chair or the Board of Directors.

Section 7. Treasurer. The Treasurer shall (a) have custody of all funds and securities belonging to Corporation and receive, deposit or disburse the same under the direction of the Board of Directors; (b) keep full and accurate accounts of the finances of the Corporation in books provided for that purpose; (c) cause such returns, reports and/or schedules as may be required by the Internal Revenue Service and the state taxing authorities to be prepared and filed in a timely manner; (d) cause a true balance sheet of the Corporation as of the close of each fiscal year and true statements of activity, functional expenses and cash flows for such fiscal year, all in reasonable detail, to be prepared and submitted to the Board of Directors; and (e) in general, perform all duties incident to the office of treasurer and such other duties as may be assigned from time to time by the Chair or the Board of Directors.

Section 8. Compensation of Board Officers. The Chair, Vice-Chair, Secretary, Treasurer and any other officer of the Board shall not receive compensation.

Section 9. Executive Director.

(a) The Board of Directors may appoint an executive director, who shall be the executive director of the Corporation and, subject to the control of the Board of Directors, have overall responsibility for the routine management of the affairs of the

Corporation. The executive director shall report to the Board of Directors and shall work closely with the Chair of the Corporation. Duties of the executive director shall include: (a) representing the Corporation in the community; (b) overseeing the projects of the Corporation; (c) supervising the staff and the administrative functions of the Corporation; and (d) in general, performing such other duties as may be assigned from time to time by the Chair or the Board of Directors. The executive director may not be elected to serve on the Board of Directors.

(b) The executive director shall report to the Board of Directors and the Board of Directors shall review the performance of the executive director on a periodic basis; the staff of the Corporation shall report to the executive director and the executive director shall review the performance of the staff on a periodic basis.

Section 10. Compensation of Executive Director and Staff. Any employee of the Corporation may be paid reasonable compensation for his duties as an employee. The compensation of the executive director and any other executive-level employee (“Subject Employee”) shall be determined by the Board or duly authorized committee as follows: (i) the Board or committee determining compensation shall be composed of persons who are unrelated to and not subject to the control of the Subject Employee; (ii) the Board or committee determining compensation shall contemporaneously obtain and rely upon appropriate data as to the comparability of the compensation package; and (iii) there shall be adequate contemporary documentation for the basis of the Board’s or committee’s determination. The Corporation may reimburse officers for such expenses incurred incidental to the conduct of the business and affairs of the Corporation as may be reasonable and authorized by the Board.

ARTICLE VI COMMITTEES

Section 1. Executive Committee. The Executive Committee, which is a committee of the Board, shall consist of the four principal officers of the Corporation (i.e., the Chair, the Vice-Chair, the Secretary, and the Treasurer) and one Chair appointee. (The appointment of the principal officers by the Board as such officers shall also serve as their appointment by the Board to the Executive Committee.) The Chair shall serve as the chairperson of the Executive Committee and shall preside at all of its meetings. Except to the extent prohibited or limited by Section 6.6(c) below or by express resolution of the Board of Directors, the Executive Committee may exercise all of the powers and authority of the Board of Directors at all such times as the Board is not meeting.

Section 2. Other Board Committees. The Board of Directors may create one or more committees of the Board, in addition to the Executive Committee established by these Bylaws. Such other committees of the Board shall be composed solely of individuals currently serving as duly elected and qualified Directors of the Corporation. Each such committee of the Board shall have two or more Directors, who shall be

appointed by and serve at the pleasure of the Board. The creation of a committee of the Board and appointment of members to it must be approved by a majority of all the Directors in office when the action is taken.

ARTICLE VII MEETINGS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held periodically, at least once every calendar quarter, at such date and at such time and place as the Board may fix by resolution or otherwise.

Section 2. Procedure. The provisions of Article VII of these Bylaws, which govern meetings of the Board of Directors, shall apply to all committees of the Board and their members as well, except that no committee of the Board shall be required to have an annual meeting or scheduled regular meetings. To the extent specified or authorized by the Board or in these Bylaws, each committee of the Board may exercise the authority of the Board. A committee of the Board may not, however: (a) approve or recommend dissolution, merger, or the sale, pledge, or transfer of all or substantially all of the Corporation's assets; (b) elect, appoint, or remove Directors or fill vacancies on the Board or on any committee of the Board; (c) adopt, amend, or repeal the articles of incorporation or these Bylaws; or (d) or otherwise act in contravention of 2016 STATE Code Title 48 - Corporations and Associations Nonprofit Corporations.

Section 3. Minutes. The Corporation shall maintain in writing or in a format convertible into writing the minutes of all other Board and committee meetings and actions without meeting. The minutes of each meeting of the Board and any committee shall be available to each Director or committee member as soon as possible after such meeting.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chair or any three Directors. Such meetings may be held at the time and place fixed by the person or persons calling the meeting.

Section 5. Notice; Waiver of Notice of Meetings. Regular meetings of the Board of Directors must be preceded by at least two (2) days notice to each Director of the date, time and place, but not the purpose, of the meeting. Special meetings of the Board of Directors must be preceded by at least two (2) days' notice to each Director of the date, time, place and purpose of the meeting. Notice required by the foregoing provisions may be oral or written and may be communicated in person; by telephone; by facsimile transmission or other form of wire or wireless communication; or by mail or private carrier. However, any Board action to remove a Director or to approve a matter that would require approval by the members if the Corporation had "members" within the meaning of 2016 STATE Code Title 48 - Corporations and Associations Nonprofit Corporations., shall not be valid unless each Director is given at least seven (7) days' written notice that the matter will be voted upon at a Directors' meeting or unless notice

is waived as provided below. Oral notice is effective when communicated, if communicated in a comprehensible manner. Written notice, if in a comprehensible form, is effective at the earliest of the following: (a) when received; (b) five (5) days after its deposit in the United States mail, as evidenced by the postmark, if mailed correctly addressed and with first-class postage affixed; or (c) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee. Written notice is correctly addressed to a Director if addressed to the Director's address shown in the Corporation's current list of Directors. Notice need not be given to any Director who waives notice by a writing signed before, during or after the meeting and filed with the minutes or the corporate records. Attendance of a Director at any meeting constitutes a waiver of notice of the meeting, except where a Director attends a meeting solely for the purpose of stating objection, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 6. Quorum, Manner of Acting Voting.

(a) At any meeting of the Board, a majority of the number of Directors in office immediately before a meeting begins will constitute a quorum for the transaction of the business of the Corporation.

(b) At any meeting of the Directors, each Director present (whether an Appointed Director or an Elected Director) will be entitled to one vote on any issue. Proxy voting is not permitted for the transaction of any business of the Corporation. If a quorum is present when a vote is taken, the affirmative vote of a majority of the Directors present is the act of the Board. A Director who is present at a meeting of the Board or a committee of the Board when corporate action is taken is deemed to have assented to the action taken unless: (i) the Director objects at the beginning of the meeting, or promptly upon arrival, to holding the meeting or transacting business at the meeting; (ii) the Director votes against the action and the vote is entered in the minutes of the meeting; (iii) the Director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (iv) the Director delivers written notice of dissent or abstention to the Chair before its adjournment or to the Corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a Director who votes in favor of the action.

Section 7. Informal Action by Directors. Action taken without a meeting will be deemed action of the Board if all members of the Board execute a written consent thereto, and the consent is filed with the corporate records of the Corporation.

Section 8. Presence at/Participation in Meetings. Any or all Directors may participate in a meeting of the Board or meeting of any committee through the use of conference telephone or any means of communication by which all Directors participating in the meeting may hear each other simultaneously during the meeting, and participation by such means will constitute presence in person at that meeting.

ARTICLE VIII FINANCIAL ADMINISTRATION

Section 1. Fiscal Year. The Corporation shall operate on a fiscal year basis, beginning July 1 and ending June 30. The Corporation's period of duration shall be perpetual unless terminated in accordance with Article XIV of these Bylaws.

Section 2. Accounting, Books, and Records. The Corporation shall maintain appropriate corporate and accounting records and shall have its accounts audited by its outside accountants at the end of each fiscal year. The Corporation's books and records shall be maintained as provided in this Section and in Article IV Section 9.

(a) **Financial Reports.** The Corporation shall maintain at its principal office its financial reports as of the end of the most recent fiscal year, including at a minimum a balance sheet and a statement of operations of such year, accompanied by any report issued by the Corporation's accountant.

(b) **Corporate Records.** The Corporation shall maintain at its principal office the following written corporate records: articles of incorporation and all amendments from time to time in effect; Bylaws and all amendments from time to time in effect; minutes of all Board meetings, committee meetings and action taken without meeting for the past three years; and a current list of Directors and officers and their addresses of record; IRS Forms 990, IRS Form 1023, and such additional tax information as may be required under IRC § 6104.

Section 3. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument on behalf of the Corporation and such authority may be general or confined to specific instances.

Section 4. Loans. Unless authorized by a resolution of the Board of Directors, no loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name. Such authority may be general or confined to specific instances.

Section 5. Checks and Drafts. All checks, drafts or other orders for the payment of money issued in the name of the Corporation shall be signed by the Corporation or by such officers of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 6. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such depositories as the Board of Directors may select.

ARTICLE X

LIABILITY, INDEMNIFICATION, INSURANCE

Section 1. Liability.

(a) To the extent not inconsistent with the Nonprofit Act, no Director or officer of the Corporation will be liable to the Corporation or to any other person for loss or damage suffered by the Corporation on account of any action taken or omitted to be taken as a Director or an officer in good faith and in a manner he reasonably believed to be in the best interests of the Corporation if the Director or officer exercised the same degree of care and skill as an ordinarily prudent person in a like position would have exercised under similar circumstances.

(b) No Director or officer of the Corporation will be personally liable for monetary damages for breach of any duty to the Corporation. However, this provision will not eliminate or limit the liability of a Director or officer: (i) for any breach of the Director's or officer's duty of loyalty to the Corporation; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) for any transaction from which the Director or officer derived an improper personal benefit; or (iv) under 2016 STATE Code Title 48 - Corporations and Associations Nonprofit Corporations.

(c) All Directors and officers of the Corporation will be immune from suit arising from the conduct of the affairs of the Corporation; provided, however, such immunity will be removed when the conduct amounts to willful, wanton, or gross negligence.

Section 2. Indemnification. To the extent not inconsistent with STATE laws, every person (and the heirs and personal representatives of such person) who is or was a Director or an officer of the Corporation will be indemnified by the Corporation, to the maximum extent permitted by law, against all liability and reasonable expense that may be incurred by him in connection with any claim, action, suit or proceeding (other than a proceeding in which such person will have been adjudged to be liable to the Corporation) by reason of the fact that he is or was a Director or an officer of the Corporation. The Corporation will also reimburse any such Director or officer for the reasonable cost of the settlement of any action, suit, or proceeding if such will be found, by a majority of the disinterested members of the Board of Directors, to be in the best interest of the Corporation that such settlement be made and that such Director or officer was not guilty of negligence, misconduct, or nonfeasance in the performance of his duties as a Director or officer.

Section 3. Scope of Indemnification. The rights of indemnification provided in this Article will be in addition to any rights to which any such Director or officer may otherwise be entitled. Irrespective of the provisions of this Article, the Board of Directors may at any time and from time to time, approve indemnification of Directors, officers, employees or other persons to the full extent permitted by the State of STATE, whether on account of past or future transactions.

Section 4. Insurance. The Board of Directors may purchase insurance covering the Corporation's liabilities and obligations under this Article and insurance protecting the Corporation's Directors, officers and employees.

ARTICLE XI REGULATION

Section 1. General. The regulation of the business and conduct of the affairs of the Corporation shall conform to federal and state income tax laws and any other applicable federal and state law, including, but not limited to, the Nonprofit Act. In the interpretation of these Bylaws, wherever reference is made to the United States Code, the United States Internal Revenue Code, Internal Revenue Laws or Treasury Regulations thereunder, the Nonprofit Act, STATE law or any other statute, or to any section thereof, such reference shall be construed to mean such code, act, laws, statutes, or section thereof, and the regulations thereunder, as the case may be, as heretofore or hereafter amended or supplemented or as superseded by laws or regulations covering equivalent subject matter.

Section 2. Governing Law. These Bylaws are executed and delivered in the State of STATE and they shall be governed by, construed and administered in accordance with the laws of the State of STATE.

ARTICLE XII PARLIAMENTARY AUTHORITY

Section 1. Parliamentary Procedure. In all instances when they are applicable and not inconsistent with the bylaws and any other special rules the organization shall adopt, the rules contained in the current edition of *Robert's Rules of Order* shall govern the proceedings of this organization.

ARTICLE XIII AMENDMENTS

Section 1. Amendment of Bylaws. These Bylaws may be amended or restated, in whole or in part, as follows: The Corporation shall provide notice of any meeting of Directors at which an amendment is to be approved. The notice shall be in accordance with 2016 STATE Code Title 48 - Corporations and Associations Nonprofit Corporations. The notice also must state that the purpose, or one of the purposes, of the meeting is to consider a proposed amendment to the Bylaws and contain or be accompanied by a copy or summary of the amendment or state the general nature of the amendment. The amendment must be approved by a two-thirds majority of the Directors in office at the time the amendment is adopted.

The foregoing notwithstanding, no amendment to the provisions of Section 6.2 regarding the number and appointive or elective composition of the Board may be made prior to the earlier of the fifteenth (15th) anniversary of the effective date of these Bylaws.

ARTICLE XI DISSOLUTION

Section 1. General. The Corporation may be dissolved and its business and affairs terminated, and such dissolution shall be in accordance with the provisions of the Nonprofit Act and United States Treasury Regulation § 1.501(c)(3)-1(b)(4).

Section 2. Distribution. All of the property of the Corporation is irrevocably committed to charitable and educational purposes; and upon dissolution of the Corporation and after all its liabilities, obligations and expenses have been discharged, all of its assets shall be conveyed or distributed in conformity with the articles of incorporation of the Corporation.

CERTIFICATE

I certify that I am the duly elected, qualified Secretary of HCS, a STATE nonprofit corporation (the “Corporation”), and that the foregoing Bylaws of the HCS (including the Conflict of Interest and Compensation Policy attached as Exhibit A) were duly adopted by the initial Directors of the Corporation as the bylaws of the Corporation at the Organizational Meeting of the Directors of the Corporation held on June 11, 2020.

HCS, Secretary

EXHIBIT A

CONFLICT OF INTEREST AND COMPENSATION POLICY

Adopted by Board of Directors on June 11, 2020

Section 1. Purpose. The purpose of the Conflict of Interest and Compensation Policy is to protect the interests HCS (the “Corporation”) when the Corporation is contemplating entering into a transaction or arrangement that might benefit the private interest of a Director of the Corporation or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest applicable to organizations such as the Corporation.

Section 2. Definitions.

(a) **Interested Person.** Any Director, 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:

(i) An ownership or investment interest in any entity with which the Corporation has a transaction or arrangement,

(ii) A compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement, or

(iii) 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, a person who has a financial interest may have a conflict of interest only if the Board or committee decides that a conflict of interest exists.

Section 3. 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 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 will leave the Board meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Directors will decide if a conflict of interest exists.

(c) Procedures for Addressing the Conflict of Interest.

(i) An interested person may make a presentation at the Board meeting, but after the presentation, he/she will leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest; provided, however, that if the matter involves an actual or proposed grant in which a person is interested (because for example, that person is a director of the proposed grantee), the interested person will not be required to leave the meeting but will not be permitted to vote on the matter.

(ii) The chairperson of the Board will, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

(iii) After exercising due diligence, the Board will 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.

(iv) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board will 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 will make its decision as to whether to enter into the transaction or arrangement. The transaction is authorized if it receives the affirmative vote of a majority of the disinterested Directors, but a transaction may not be authorized by a single Director (please 2016 STATE Code Title 48 - Corporations and Associations Nonprofit Corporations). If a majority of the disinterested Directors vote to authorize the transaction, a quorum is present for the purpose of taking action under this section.

(d) Violations of the Conflicts of Interest and Compensation Policy.

(i) If the Board has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it will inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

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

Section 4. Records of Proceedings. The minutes of the Board will 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) Definitions. Unless otherwise defined, the terms below have the following meanings:

(i) "Highest Compensated Employee" - Any employee of the Corporation, whose total compensation would require the employee to be listed in Part I of Schedule A of IRS Form 990, or in response to an equivalent question on any successor exempt organization annual return.

(ii) "Highest Compensated Independent Contractor" - Any independent contractor engaged by the Corporation, whose total compensation would require the contractor to be listed in Part II of Schedule A of IRS Form 990, or in response to an equivalent question on any successor exempt organization annual return.

(iii) "Key Employee" - Any person having responsibilities, powers or influence similar to those of officers or directors, within the meaning of Part V-A of the IRS Form 990.

(b) No Director, officer, Key Employee, Highest Compensated Employee or Highest Compensated Independent Contractor may receive compensation, directly or indirectly, from the Corporation unless such compensation is first determined by the disinterested Directors, or an authorized committee thereof, to be just and reasonable to the Corporation. The names of the persons who were present for discussions and votes relating to the compensation arrangement, the content of the discussion, including the information used to determine the reasonableness of the compensation, the date and terms of the compensation arrangement, and a record of any votes taken in connection with the proceedings shall be maintained in the minutes of the Corporation. The determination of reasonableness shall be based upon information about compensation paid by similarly situated organizations for similar services, current compensation surveys compiled by independent firms, actual written offers from similarly situated organizations or other similar information deemed reliable by the

disinterested Directors (or the committee). Similarly situated organizations may include both taxable and tax-exempt organizations. No Director, principal officer, Key Employee, Highest Compensated Employee or Highest Compensated Independent Contractor, shall participate in the discussion and approval of his or her compensation, except that such persons may provide information to the disinterested Directors as described above in this policy.

(c) Compensation Review. The Board shall review the fairness of compensation, including benefits, upon the occurrence of the following events:

(i) Extension or renewal of the term of employment; or

(ii) Modification of the compensation, unless such modification occurs pursuant to a general modification of compensation that extends to all employees.

Section 6. Annual Statements. Each Director and staff member will annually sign a statement that affirms that such person:

(a) Has received a copy of the Conflicts of Interest and Compensation 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 that 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 will be conducted. The periodic reviews will, 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 will not relieve the Board of its responsibility for ensuring periodic reviews are conducted.

I certify that I am the duly elected, qualified Secretary of the HCS, a STATE nonprofit corporation (the "Corporation"), and that the foregoing Conflict of Interest and Compensation Policy was duly adopted by the initial Directors of the Corporation at the Organizational Meeting of the Directors of the Corporation held on _____.

HCS, Secretary