

**AMENDED AND RESTATED BYLAWS  
OF THE RUTHERFORD RAILROAD DEVELOPMENT CORPORATION**

These amended and restated bylaws (the “**Bylaws**”) of RUTHERFORD RAILROAD DEVELOPMENT CORPORATION (the “**Corporation**”) have been duly adopted pursuant to the North Carolina Nonprofit Corporation Act (the “**Act**”), for the purpose of regulating and managing the affairs of the Corporation, a nonprofit corporation under, and by virtue of the laws of, the State of North Carolina.

**ARTICLE I  
Corporate Name and Location**

**Section 1. Corporate Name.** The name of the corporation is the Rutherford Railroad Development Corporation, hereinafter referred to as the “**Corporation**”.

**Section 2. Location.** The principal office of the Corporation is currently located at 230 Spindale Street, Spindale, North Carolina, 28160. The principal office may be located at any place within Rutherford County, NC.

**ARTICLE II  
Purpose**

**Section 1. Purpose.** The purpose of this Corporation is, in general, to improve the quality of life for all citizens of Rutherford County, North Carolina and its municipalities by promoting health and wellness through the maintenance and operation of the Thermal Belt Rail Trail and other recreational projects as well as to encourage economic development in Rutherford County, North Carolina and its municipalities through the promotion of activities which enhance the potential growth and development of business entities and to engage in those activities which are in furtherance of, or related to, the purposes herein stated.

The Corporation is the owner and lessor of a section of real property in Rutherford County, including but not limited to a section commonly known as the Thermal Belt Railroad and a separate section commonly known as the Bostic Spur. The Corporation will continue to work with Rutherford County and its municipalities to develop and maintain the Thermal Belt Rail Trail which consists of over thirteen miles of rail trail converted from the Thermal Belt Railroad. Operation and maintenance of the rail trail corridor is subject to the Surface Transportation Board Decision and Notice of Interim Trail Use or Abandonment, Docket No. AB 567 (Sub-No. X), Rutherford Railroad Development Corporation – Abandonment Exemption-In Rutherford County, NC, decided January 15, 2016. Said trail has been designed to accomplish the following goals which constitute, in part, purposes of the Corporation:

- (a) To provide outdoor recreation to residents and visitors.

- (b) To create an off-road connection between the neighboring communities of Rutherford County (Ruth, Rutherfordton, Spindale, Forest City, and Gilkey).
- (c) To attract and retain employers and new businesses as well as their employees.
- (d) To attract tourism and stimulate the regional economy.
- (e) To offer a safe route for pedestrian and bicycle travel as a transportation alternative.
- (f) To improve quality of life through healthy and active living.
- (g) To revitalize neighborhoods along the corridor.
- (h) To increase adjacent property values.
- (i) To enhance local natural and cultural resources.

Further, the original purposes for which the Corporation was organized as set forth in its Articles of Incorporation include the following:

- (a) To establish and provide a program of railroad revitalization in Rutherford County, North Carolina.
- (b) To provide safe and efficient rail transportation service in Rutherford County, North Carolina.
- (c) To provide railroad services to industry in Rutherford County, North Carolina and enhance and attract industries to expand and locate in Rutherford County, North Carolina.
- (d) To engage in any lawful act or activity for which corporations may be organized under Chapter 55A of the General Statutes of North Carolina.

**Section 2. Incorporation by Reference.** The Corporation is obligated by a Lease and Operating Agreement executed by the Corporation and Southeast Shortlines, Inc. (the "Southeast Shortlines Lease") on or about February 26, 1990 for a certain section of railroad referred to in said lease known as the "Bostic Line" and the "Forest City - Gilkey Line" (the "Rail Corridor"). **Said Southeast Shortlines Lease was amended by that Partial Termination and Amendment to Lease by and between the Corporation and Southeast Shortlines, Inc. entered into on or about March 24, 2016 which released the "Forest City-Gilkey Line" from the leased premises recorded in Book 1123, Page 487, Rutherford County Registry. Said Southeast Shortlines Lease and the Partial Termination and Amendment to Lease are incorporated by reference as if fully set forth herein.**

The Corporation and Trail Partners' management of the Thermal Belt Railroad and Thermal Belt Rail Trail is subject to the Surface Transportation Board Decision and Notice of Interim Trail Use or Abandonment, Docket No. AB 567 (Sub-No. X), Rutherford Railroad Development Corporation—Abandonment Exemption-In Rutherford County, NC, decided January 15, 2016 ("STB Order"). Said STB Order is incorporated by reference as if fully set forth herein.

The Corporation is also obligated by separate Lease Agreements with the municipalities and the County for the Forest City – Gilkey Line as defined within said Lease Agreements within their respective jurisdictions specifically as follows: Forest City entered into a Railroad Lease Agreement with the Corporation dated March 24, 2016 and a subsequent Partial Termination of Lease Agreement dated June 28, 2017; Ruth entered into a Railroad Lease Agreement with the Corporation dated March 6, 2017; Spindale entered into a Railroad Lease Agreement with the Corporation dated June 28, 2017; Rutherfordton entered into a Railroad Lease Agreement with the Corporation dated May 3, 2017; and the County entered into a Railroad Lease Agreement with RRDC dated June 28, 2017 (collectively the “Trail Partner Lease Agreements”). Said Trail Partner Lease Agreements are incorporated by reference as if fully set forth herein. The purpose of the Trail Partner Lease Agreements is to preserve the Rail Corridor for future railroad use, to encourage economic development in Rutherford County, and to “railbank” the Rail Corridor under 16 U.S.C. §1247 for the benefit of the residents of Rutherford County and in anticipation of the construction of the twelve-foot-wide paved trail which extends the entire 13.36 miles of the Rail Corridor from Forrest Hunt Elementary School to Gilkey.

The Corporation is also obligated by a certain Interlocal Agreement for the Thermal Belt Rail Trail entered into on or about August 30, 2017 by the Corporation, Rutherford County, The Town of Forest City, the Town of Ruth, the Town of Rutherfordton, and the Town of Spindale as Trail Partners (“Interlocal Agreement”). Said Interlocal Agreement is incorporated by reference as if fully set forth herein.

**Section 3. Tax Exempt Status.** The Corporation is organized, and is to be operated, exclusively for the purposes set forth in this Article, each of which shall be consistent, and in compliance, with any and all requirements of the Act and the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) under which the Corporation is exempt from federal tax:

The purposes, for which the Corporation is organized, are to operate exclusively for charitable, educational, religious and/or scientific purposes, within the meaning of Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986 or the corresponding provisions of any future United States Internal Revenue laws, including, but not limited to, the following specific purposes:

A. To participate and partner with other charitable organizations and nonprofit corporations as may be beneficial to, or in furtherance of, its stated purposes.

B. In connection with the purposes set forth above (and in order to carry them out), (i) to solicit, accept, receive and acquire by gift, devise, bequest or otherwise, donations, money and real, personal and mixed property of every kind, nature and description, wheresoever

located and without limit as to amount, from any person, firm, entity, corporation or organization, including any public or governmental body or agency and (ii) to hold, manage, administer, invest, use, mortgage, pledge, sell, lease, assign, give, exchange, transfer, convey or otherwise dispose of such money and/or property, as the Board of Directors (also sometimes referred to as "Trustees" ) may determine, from time to time, to be necessary or beneficial to the Corporation's fulfillment of its stated purpose.

C. In furtherance of the foregoing, to engage in any lawful activity for which corporations may be organized under Chapter 55A of the North Carolina General Statutes, so long as the Corporation does not engage in any activity not in furtherance of one or more tax-exempt purposes as contemplated by Section 501(c)(3) of the Code.

**Section I.1** In furtherance of such purposes, the Corporation may engage in any lawful activity, except as restricted hereby. This Article shall not be interpreted as providing for activities incompatible with, or in violation of, restrictions imposed by tax legislation of the United States or regulations of the Treasury Department on organizations exempt from Federal taxation under Section 501(c)(3) of the Code.

### **ARTICLE III Membership**

**Section 1. Membership.** The Members of the Corporation shall be the Town of Forest City, the Town of Ruth, the Town of Rutherfordton, the Town of Spindale, and Rutherford County. The Corporation will be composed of Directors representing the Town of Forest City, the Town of Ruth, the Town of Rutherfordton, the Town of Spindale, and Rutherford County (each referred to individually as "Member" and collectively as "Members").

**Section 2. Additional Members.** The Board of Directors, by a unanimous vote, may authorize the admission of additional Members of the corporation and may create different classes of Membership.

**Section 3. Termination of Membership.** Reserved.

**Section 4. Resignation.** Reserved.

**Section 5. Reinstatement.** Reserved.

### **ARTICLE V Meetings of Members**

**Section 1. Annual Meetings of Members.** The Members shall meet at least once per year for the purposes of receiving the annual reports of Officers, Directors, and Committees, and the transaction of other business, including but not limited to the appointment of Directors. The Annual Meeting will be held in the month of May each year or as determined in the discretion of the Members. Such Annual Meeting shall be held upon notice delivered to each Member at least 10 days, but not more than 30 days prior to the date of the meeting.

**Section 2. Special Meetings.** Special meetings may be called by any Member. Such Meeting shall be held upon notice delivered to each Member at least 10 days, but not more than 30 days prior to the date of the meeting.

## **ARTICLE VI**

### **Meetings of Directors**

**Section 1. Annual Meetings of Board of Directors.** The Board of Directors shall meet at least once per year for the purposes of receiving the annual reports of Officers, Directors, and Committees, and the transaction of other business. The Annual Meeting will be held in the month of May each year or as determined in the discretion of the Directors. Such Annual Meeting shall be held upon notice delivered to each Director at least 10 days, but not more than 30 days prior to the date of the meeting.

**Section 2. Meetings.** The Board of Directors shall meet at such regular times and locations as may be established from time to time by resolution of the Directors.

**Section 3. Special Meetings.** Special meetings may be called by the Chairman or in his/her absence, the Vice-Chairman. At least 48 hours' notice will be provided to the entire Board of Directors.

#### **Section 4. General Provisions and Voting.**

- (a) All Directors shall have one vote;
- (b) Voting may occur by telephone or by electronic means acceptable to the Board; and
- (c) If the Board elects an Executive Director of the Corporation, the Executive Director of the Corporation will be an ex-officio non-voting participant on the Board.

#### **Section 5. Duties of Directors.** The Board of Directors may:

- (a) Hold meetings at such times and places as it thinks proper;

- (b) Appoint committees on particular subjects as determined by the Directors; Committee participants need not be Directors or Members of the Corporation;
- (c) Audit bills and disburse the funds of the Corporation;
- (d) Print and circulate documents and publish articles;
- (e) Carry on correspondence;
- (f) Employ agents; and
- (g) Devise and carry into execution such other measures as it deems proper and expedient to promote the objects of the Corporation.

**Section 6. Quorum and Transaction of Business.** A majority of the current Directors of the Board shall constitute a quorum for the transaction of business, except as otherwise required by these Bylaws. Whenever less than a quorum is presented at the time and place appointed for any meeting of the Board, a majority of those present may adjourn the meeting from time to time until a quorum shall be present. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board, unless otherwise required by these Bylaws.

**Section 7. Action Without Meeting.** Any action which may be taken at any meeting of the Board, or of any committee thereof, may be taken without such meeting by one or more written documents signed by all Directors setting forth the action to be taken. The written action shall be filed with the Secretary of the Corporation and inserted by the Secretary of the Corporation in the permanent records relating to meetings of the Board.

## **ARTICLE VII Directors**

**Section 1. Number.** There will be one (1) Director per Member.

**Section 2. Appointment of Directors.** Each Member shall appoint one (1) Director to the Board. Said appointment shall be the Town Manager if applicable and otherwise an elected official from the Member.

**Section 3. Terms of Directors.** The Directors of the Corporation as initially appointed by the Members shall have initial terms as follows: two (2) shall serve a term ending June 30, 2024; two (2) shall serve a term ending June 30, 2023; and one (1) shall serve a term ending June 30, 2022. Thereafter, successor Directors shall be appointed for a term of three (3) years. All Directors, unless they shall resign or shall be removed as allowed herein, shall serve until his or her successor is duly appointed.

**Section 4. Successor Directors, Removal, and Vacancies.** Appointment of a successor Director of the Corporation shall be made by the Member appointing the Director whose successor is to be appointed. Announcements of such appointments shall be made at the Annual Meeting of Directors. Any Director may be removed, with or without cause, by the Member appointing such Director. Any person appointed to fill a vacancy shall be appointed to serve only for the unexpired term. Any Director of the Corporation may be reappointed by the respective Member.

**Section 5. Compensation.** The Directors shall serve without compensation for their services. Nothing herein shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving reasonable compensation for such services.

## **ARTICLE VIII Officers**

**Section 1. Number.** The officers of the Corporation may consist of a Chairman, Vice-Chairman, and a Secretary/Treasurer, as the Board shall designate. The Board may elect or appoint other officers as it shall deem desirable, such officers to have the authority and perform the duties prescribed, from time to time, by the Board. Any two or more offices may be held by the same person, except that no officers may act in more than one capacity where action of two or more officers is required.

**Section 2. Election, Term of Office and Qualifications.** Each officer, except such officers as may be appointed in accordance with the provisions of Section 3 of this Article VIII, shall be elected at the annual meeting by the majority of Board of Directors present and shall hold office until the annual meeting of the Board of Directors held next after his/her election (NOTE: removed since we reduced the term of the Chair from two years to one) or until his/her successor shall have been duly chosen and qualified, or until death, or until he/she shall resign, or shall have been disqualified, or shall have been removed from office.

**Section 3. Subordinate Officers and Agents.** The Board of Directors from time to time may appoint other officer(s) or agent(s), each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors from time to time may determine. The Board of Directors may delegate to any officer or agent the power to appoint any subordinate officer or agent and to prescribe his respective authority and duties.

**Section 4. Removal.** Any officer elected or appointed by the Board may be removed by the Board by a majority vote of the non-affected Directors present whenever in its judgment the best interest of the Corporation would be served thereby. New officers may be elected at the same meetings to fill the unexpired term of the removed officer.

**Section 5. Resignation.** Any officer may resign at any time by giving written notice to the Board of Directors or to the Chairman or the Secretary of the Corporation, or if he/she was appointed by an officer or agent in accordance with Section 3 of this Article VIII, by giving written

notice to the officer or agent who appointed him/her. Any such resignation shall take effect upon its being accepted by the Board of Directors or by the officer or agent appointing the person so resigning.

**Section 6. Vacancies.** A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors, by a majority vote of Directors present for the unexpired portion of the term.

**Section 7. Offices.**

- (a) **Chairman** -Chairman shall preside over meetings, set the agenda, appoint committees, have the authority to sign on behalf of the Corporation, may execute any documents necessary to transact business on the Corporation's behalf. and perform such other tasks as is customary. The term shall be for one year. The Chairman may be reappointed for successive terms with no limit.
- (b) **Vice-Chairman** - A Vice-Chairman shall perform the duties of the Chairman in his/her absence. The Vice-Chairman may be reappointed for successive terms with no limit.
- (c) **Secretary/Treasurer** - A Secretary/Treasurer shall be responsible for keeping minutes and maintaining financial records. The Secretary/Treasurer may delegate this responsibility to a staff member of the Corporation. The Secretary/Treasurer may be reappointed for successive terms with no limit.

**ARTICLE IX  
Committees**

**Section 1. Special Committees.** The Chairman may, at any time, appoint other committees on any subject for which there are no standing committees.

**Section 2. Committee Quorum.** A majority of the Committee members present at any committee meeting of the Corporation shall constitute a quorum for the transaction of business, unless any committee shall by a majority vote of its entire membership decide otherwise.

**ARTICLE X  
Staffing**

**Section 1. Staffing.** The Board of Directors may hire or appoint an Executive Director, or such other staff as it deems necessary pursuant to such terms and conditions as may be approved by a majority of the current serving Board of Directors. Any staff shall serve at the pleasure of the Board of Directors.

**ARTICLE XI  
Fiscal Year**



**Section 1. Fiscal Year.** The fiscal year of the Corporation shall begin on the first day of July and end on the last day of June in each year.

## **ARTICLE XII Books and Records**

**Section 1. Books and Records.** There shall be kept at the office of the Corporation:

- (a) Correct and complete books and records of account;
- (b) Minutes of the proceedings of the Members and the Board of Directors;
- (c) A current list of the Directors and Officers of the Corporation and their addresses;
- (d) A list or record containing the names and addresses of all Members;
- (e) A copy of these Bylaws;
- (f) A copy of the Articles of Incorporation;
- (g) A copy of the Corporation's Forms filed with the IRS for the three most recent years; and
- (h) A copy of the Corporation's application to the IRS for determination of tax exemption, and the resulting IRS determination letter.

## **ARTICLE XIII Financial Control**

**Section 1. Financial Control.**

- (a) All revenues received by the Corporation will be deposited within one (1) business day in the banking institution approved for that purpose by the Board of Directors.
- (b) All checks will require two signatures and will be signed by the Executive Director, Chairman, Vice-Chairman or other such officer or employee so designated by the Board of Directors.
- (c) There will be an annual financial review performed by a firm chosen by the Board of Directors.
- (d) The Board of Directors must approve any loan, building contract, property acquisition or other such similar act by at least a two-thirds vote of Directors present.

## **ARTICLE XIV Dissolution**

**Section 1. Dissolution.** Upon the dissolution of the Corporation, the Board of Directors shall first pay or make provision for the payment of all liabilities of the Corporation and shall then dispose of all assets of the Corporation exclusively for purposes of the Corporation in such manner or to such organization or organizations operated exclusively for charitable and

educational purposes as the Board of Directors shall determine to be in compliance with the laws of the State of North Carolina, the Internal Revenue Code, as amended, and its Articles of Incorporation. None of the assets shall be disposed of or diverted to any other purpose and shall in no manner be disposed of, distributed or paid out in a manner so as to accrue to the benefit of any Director, employee or officer of the Corporation. Further, any dissolution shall be subject to the STB Order. Upon dissolution, any real property owned by the Corporation shall revert to the respective local government entity's jurisdiction, subject to the STB Order.

## **ARTICLE XV Amendments**

**Section 1. Amendments.** These bylaws can only be amended by a two-thirds majority vote of Directors present however, that no such action shall change the purposes of the Corporation so as to impair its rights and powers under the laws of the State of North Carolina, or to waive any requirement of bond or any provision for the safety and security or the property and funds of the Corporation. Notice of any amendment to be offered at any meeting shall be given not less than seven (7) and not more than thirty (30) days before such meeting and shall set forth such proposed amendment.

## **ARTICLE XVI Adoption**

**Section 1. Adoption.** These bylaws shall become effective immediately upon adoption by the Board of Directors.

## **ARTICLE XVII Conflict of Interest**

**Section 1. Conflict of Interest.** A Director having a conflict of interest or a conflict of responsibility on any matter involving the Corporation and any other business or person shall refrain from voting on such matter. No Director or officer shall use his or her position as a Director or officer of the Corporation for his or her own direct or indirect financial gain. In addition to the foregoing, the Corporation shall be governed by the Conflict of Interest Policy set forth in Rider 1, attached hereto.

## **ARTICLE XVIII General Provisions**

**Section 1. Contracts.** The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or lease, or to execute and deliver any instrument on behalf of the Corporation, and such authority may be general or confined to specific instances. The Board of Directors may enter into employment contracts for any length of time it deems wise.

**Section 2. Loans.** No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or specific in nature and scope.

**Section 3. Gifts.** The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest, donations or devise for the general purposes or for any special purpose of the Corporation. All gifts received are the property of the Corporation.

**Section 4. Waiver of Notice.** A Director may make written waiver of any notice required to be given under the provisions of the North Carolina Not-for-Profit Corporation Act or under the provisions of the Articles of Incorporation or the bylaws of the Corporation before, at, or after a meeting. The waiver shall be filed with the person designated to act as secretary of the meeting who shall enter it upon the records of the meeting. Appearance at a meeting is deemed a waiver unless it is solely for the purpose of asserting the illegality of the meeting.

**Section 5. Indemnification.** Any person who at any time serves or has served as a Director or officer of the Corporation, or in such capacity at the request of the Corporation, shall have the right to be indemnified by the Corporation to the fullest extent permitted by the law against (a) reasonable expenses, including attorneys' fees, actually and necessarily incurred by him/her in connection with any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Corporation, seeking to hold him/her liable by reason of the fact that he/she is or was acting in such capacity, and (b) for reasonable payments made by him/her in satisfaction of any judgment, money decree, fine penalty, or settlement for which he/she may become liable in any such action, or proceeding.

The Board of Directors of the Corporation shall take all such action as may be necessary and appropriate to authorize the Corporation to pay the indemnification required by this Bylaw, including without limitation, to the extent needed, making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him and giving notice to, and obtaining approval by, the directors of the Corporation.

This section shall not be applicable with respect to matters as to which a Director or officer shall be adjudged in an action, suit or proceeding to be liable for negligence or misconduct in the performance of duty.

This section shall not be deemed to be exclusive of any other rights to which a Director or officer may be entitled under the vote of Board of Directors. At the discretion of the Board of Directors, and providing that it is financially feasible, the Corporation will provide liability insurance for its Directors and officers.

## **ARTICLE XIX Compensation**

1. A Director board who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that Director's compensation.

2. 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.

3. No Director or any committee member 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.

## **ARTICLE XX Annual Statements**

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

- (a) Has received a copy of the conflict 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.

## **ARTICLE XXI 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:

1. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.

2. Whether partnerships, joint ventures and arrangements with management Corporations 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.

**ARTICLE XXII**  
**Use of Outside Experts**

When conducting the periodic reviews as provided for in Article XXI, the Corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Directors of its responsibility for ensuring periodic reviews are conducted.

## **Rider 1**

### **Conflict of Interest Policy**

#### **Article I** **Purpose**

The purpose of the conflict of interest policy is to protect the 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 might result in a possible excess benefit transaction. 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.

#### **Article II** **Definitions**

1. **Interested Person.** Any Director, principal officer, or member of a committee with delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

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

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

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

(c) 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 Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate Board of Directors or committee decides that a conflict of interest exists.

#### **Article III** **Procedures**

1. **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 delegated powers considering the proposed transaction or arrangement.

2. **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 Board of Directors or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board of Directors or committee members shall decide if a conflict of interest exists.

3. **Procedures for Addressing the Conflict of Interest**

(a) An interested person may make a presentation at the Board of Directors 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.

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

(c) After exercising due diligence, the Board of Directors 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.

(d) If more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board of Directors 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.

4. **Violations of the Conflicts of Interest Policy**

(a) If the Board of Directors 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.

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

**Article IV**  
**Records of Proceedings**

The minutes of the Board of Directors and all committees with board delegated powers shall contain:

1. 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 Board of Directors' or committee's decision as to whether a conflict of interest in fact existed.

2. 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 pleadings.