

MORNINGSIDE BYLAWS

*Approved February 21, 1995 * Revised June 18, 2009 * Revised December 7, 2013 * Revised April 6, 2019 *
Revised September 24, 2021*

ARTICLE I: NAME AND LOCATION

Section A. Name. The name of this organization shall be MorningSide (hereinafter referred to as the "Corporation").

Section B. Location. The Corporation's mailing address is P.O. Box 24325, Detroit, MI 48224. The Morningside neighborhood is the area bound by and including Harper Avenue/I-94 on the north, bounded on the east to and including the west side of Outer Drive and the west side of Whittier Street, south to and including the north side of Mack Avenue, and west to and including the east side of Alter Road and the east side of Outer Drive in the City of Detroit, Michigan (hereinafter referred to as the "Community").

ARTICLE II. CORPORATE PURPOSE

Section A. Nonprofit Purpose. The Corporation is incorporated in the State of Michigan as a nonprofit corporation and organized as a membership organization, on a nonstock basis, pursuant to the Michigan Nonprofit Corporation Act, Act 162 of the Public Acts of 1982 (hereinafter referred to as the "Act").

This corporation is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

ARTICLE III: MEMBERS

Section A. Membership. The membership shall consist of all home owners, business owners, landlords, tenants, or heads of all schools or religious organizations, over the age of 18, who reside or conduct business within the Community and attend and sign in at a General Meeting (as defined in Article IV, Section B) or with the Secretary (as defined in Article VI, Section E) (each, a "Member" and collectively, the "Membership"). The Corporation shall not discriminate with regard to age, race, sex, religion, national origin, or any other category protected by law.

Section B. Rights. Unless otherwise provided in the Articles or these Bylaws, each Member is entitled to:

1. one vote on each matter that requires the Membership to vote;
2. elect and remove Directors (as defined in Article V, Section A); and
3. attend and participate in all General Meetings.

Section C. Membership Eligibility. If required by the Board (as defined in Article V, Section A) or the Election Committee (as defined in Article VII, Section E), a Member may prove his or her membership eligibility by presenting identification or documentation which evidences:

1. the Member's residential address within the Community;
2. the Member's ownership of a home or business within the Community; or
3. the Member as an executive, manager or leader of a public or private school or religious organization within the Community.

Section D. Voting Eligibility. A Member shall be required to attend at least three (3) General Meeting in the twelve (12) months prior to an Annual Meeting or any other membership meeting designated to amend the Articles or these Bylaws in order to be eligible to vote at such meeting. A Member shall be present in person at the meeting to cast his or her vote. An action that requires the Membership's approval shall be authorized by a majority of the votes cast, unless otherwise provided in the Articles or these Bylaws. The Secretary shall keep a record of each Member who attends a membership meeting. All attendance records and an alphabetized list of all Members eligible to vote shall be available at all meetings at which a Membership vote is taken.

ARTICLE IV: MEMBERSHIP MEETINGS

Section A. Annual Meeting. The annual meeting of the Members will be held in the month of May, on such a day, time, and location as shall be determined by the Board (hereinafter referred to as the "Annual Meeting"). At the Annual Meeting, the Members shall elect Directors (in accordance with the procedures set forth in Article VIII) and shall transact such other business as may be properly brought before the meeting. The Board shall provide the Membership with oral and written notice of the day, time, and location of the Annual Meeting at the two General Meetings held prior to the Annual Meeting, and may give additional notice by other means as determined by the Board. If the Annual Meeting is not held in May, then the Board shall cause the meeting to be held as soon thereafter as convenient.

Section B. General Meeting. Regular meetings of the Membership (hereinafter referred to as a "General Meeting") shall be held monthly, on such a date, time, and location as shall be determined by the Board. The Board shall publish a schedule of the meetings in September of each year.

At a General Meeting, the Board and Membership shall discuss matters pertinent to the Corporation and/or the Membership. General Meetings shall be open to members of the public who may participate in the meeting, but shall not vote on any matter that requires the Membership to vote.

Section C. Special Meetings. The Board by a majority vote, or the Membership, by submitting a written request to the Board signed by at least fifty percent (50%) of the Voting Members which sets forth the purpose for the request, may call a special meeting of the Membership (hereinafter referred to as a "Special Meeting"). The Board shall provide the Membership with oral and written notice of a Special Meeting's date, time, location and purpose not less than 14 days before the meeting. If the Special Meeting is for the purpose of amending the bylaws or electing officers, the Board shall provide the Membership with oral and written notice of a Special Meeting's date, time, location and purpose not less than 30 days before the meeting.

Section D. Waiver of Objection to Improper Meeting Notice. If a Member attends an Annual, General, or Special Meeting that Member shall be deemed to have waived any objection to:

1. lack of notice or defective notice of the meeting, unless the Member at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and
2. consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice unless the Member objects to considering the matter when presented.

Section E. Quorum. The Members present at any General Membership and Annual meetings shall constitute a quorum, except when voting on amending the bylaws, and electing officers. Amending the bylaws and electing officers shall require at least at 50% of the Voting Members to be present. There shall be no minimum percentage of General Members to be present.

Section F. Agenda and Procedure. The Board will conduct membership meetings in accordance with parliamentary procedure inclusive of an agenda created by the President after consulting with the Executive Committee.

The president shall consider agenda items submitted by Members in writing within five business days of a General Membership meeting. The Board and Membership must abide by the agenda. Each year, during the first Board Meeting after the Annual Meeting, the Board shall determine a procedure for conducting Board Meetings and membership meetings for the following year. These procedures shall be made available to the Membership.

ARTICLE V: BOARD OF DIRECTORS

Section A. Board of Directors. The right to manage the business affairs of the Corporation shall be exclusively vested in the Corporation's Board of Directors (each, a "Director" and collectively, the "Board"). The Board shall not cause the Corporation to

engage in any activity inconsistent with Section 501(c)(3) of the Internal Revenue Code of 1986, or any comparable section of any future federal tax code. The Board shall be elected at the Annual Meeting and take office at the first Board Meeting following the election. Directors shall serve without compensation and shall be deemed volunteer directors under the Act. However, Directors may be reimbursed for actual, reasonable and necessary expenses incurred by such Director in his or her capacity as Director.

Section B. Board Size and Term Length. The Board shall consist of at least seven (7) but not more than eleven (11) Members, as established by the Board from time to time. The Board shall include five (5) Officers (as defined in Article V, Section A) who the Membership shall elect directly to the Board. Each Officer (Executive Board Member) shall serve a two(2) year term.

Each at large member shall serve a one(1) year term. The President, Second Vice-President and Secretary shall be elected on odd number years. The First Vice-President and Treasurer shall be elected on even number years.

Section C. Resignation. A Director may resign by written notice to the Board. The resignation is effective at the time specified in the written notice, or if unspecified, upon the Board's receipt of the written notice.

Section D. Ineligibility. If a Director moves out of the Community, or otherwise becomes ineligible for membership, such Director shall be removed from the Board.

Section E. Removal by the Board. A Director may be removed by a two-thirds (2/3) vote of the remaining Directors for the following reasons:

1. missing three (3) regular Board Meetings within six (6) months without a reasonable excuse, as determined by a majority of the remaining Directors;
2. showing a pattern that persists for more than three (3) months of not fulfilling the duties outlined in Article V, Section I without a reasonable excuse, as determined by a majority of the remaining Directors; or
3. becoming physically or mentally unable to perform the duties of a Director (such as death or serious illness) as determined by a majority of the remaining Directors.

Section F. Removal by the Membership. The Membership, by a written petition of two-thirds (2/3) of the Members present at a membership meeting, may cause the Membership to vote on the removal of a Director. The vote to remove a Director shall occur at the next membership meeting. Any vote by the Membership to remove a Director shall be approved by a two-thirds majority vote of those Members present at the meeting and a majority of the remaining Directors.

Section G. Notice of Removal. Any Director affected under this provision shall be provided written notice about the determination to consider his or her removal and the reasons for that determination, at least fourteen (14) days prior to the meeting at which the vote is

to occur. The Director shall be allowed a five (5) minute opportunity to respond at the meeting where the vote is to occur.

Section H. Powers. The Board shall have the powers necessary to:

1. administer the affairs of the Corporation in accordance with the Articles and these Bylaws.
2. adopt an annual budget prior to the beginning of each fiscal year and approve any expenditures not included in the budget;
3. approve all budget changes;
4. assure the sound management of the Corporation's finances;
5. set and implement corporate policy; and
6. designate committees to serve at the pleasure of the Board.

Section I. Duties. Each Director shall have the following duties:

1. serve on a minimum of one (1) committee as requested by the Board;
2. perform the duties set forth in these Bylaws;
3. attend a minimum of nine (9) Board Meetings a year, and seventy five percent (75%) of all committee and membership meetings;
4. Directors who anticipate an extended absence from the Corporation's activities can request a leave of absence from the Executive Committee.

Section J. Appointment to Fill a Board Vacancy. A Member may be selected to fill a vacancy on the Board for the remainder of the term by the majority of the remaining Directors. Replacement of the President shall be governed by Article VI, Section C, Item 5.

Section K. Regular Board Meeting and Notice. The Corporation's Board of Directors meetings (hereinafter referred to as "Board Meetings") shall be held at least once each month. Each Director shall be notified at least seven (7) days prior to each Board Meeting.

Section L. Special Board Meetings. The President or two-thirds (2/3) of the Directors may call a special meeting (hereinafter referred to as a "Special Board Meeting") provided all Directors receive oral, written, telephone, or email notice at least 48 hours prior to the Special Board Meeting.

Section M. Quorum. A quorum for Board Meetings shall consist of a majority of the Directors.

Section N. Voting. Each Director shall have one (1) vote. Any action that requires the Board's approval shall be authorized by a majority of the Directors present at a Board Meeting at which a quorum is present, unless otherwise provided in the Articles or these Bylaws.

Section O. Governance. Each year at the first Board Meeting after the Annual Meeting, the President shall recommend a procedure for conducting Board Meetings for the following year, subject to the approval by the majority of the Directors.

Section P. No Retroactive Application. Each Director in office at the time these Bylaws are approved shall not serve beyond his or her current term, unless he or she is re-elected at the Annual Meeting to serve a new term.

ARTICLE VI: OFFICERS

Section A. Officers. The Corporation's officers shall be: President, Vice-President, Second Vice-President, Secretary, and Treasurer (each an "Officer" and collectively, the "Officers").

Section B. President. The Corporation's president (hereinafter referred to as the "President") shall be elected to a two (2) year term and shall not serve more than two (2) consecutive terms as the President. The President shall:

1. administer all of the affairs and execute the policies of the Corporation as determined by the Board;
2. establish written policies and procedures;
3. serve as a non-voting member on all committees;
4. preside at all meetings except committee meetings;
5. sign financial and other binding documents;
6. serve as chairperson of the Board and the Executive Committee; and
7. perform such other duties as may be assigned by the Board.

Section C. Vice President. The Corporation's vice president (hereinafter referred to as the "Vice President") shall be elected to a two (2) year term and shall not serve more than two (2) consecutive terms as the Vice President. The Vice President shall:

1. assist the President in fulfilling executive and administrative responsibilities;
2. serve on the Executive Committee;
3. perform such other duties as may be assigned by the Board;
4. as designated by the President, sign financial and other binding documents; and

5. become President and serve the remainder of the President's term should a vacancy occur in the office of the President by reason of removal, resignation, incapacitation, or death. In the temporary absence of the President, the Vice-President may not change rules, fill vacancies required to be filled by the President, or serve as a non voting member of any committee.

Section D. Second Vice President. The Corporation's second vice president (hereinafter referred to as the "Second Vice President") shall be elected to a two (2) year term and shall not serve more than two (2) consecutive terms as the Second Vice President. The Second Vice President shall:

1. serve on the Executive Committee;
2. as designated by the President, sign financial and other binding documents;
3. perform such other duties as may be assigned by the Board; and
4. assist the Secretary in maintaining a roster of the Membership in accordance with Article III, Section D and have it available at all Board, General, Special, and Annual Membership Meetings.

Section E. Secretary. The Corporation's secretary (hereinafter referred to as the "Secretary") shall be elected to a two (2) year term and shall not serve more than two (2) consecutive terms as the Secretary. The Secretary shall:

1. handle all correspondence for the Corporation;
2. issue all notices and calls for meetings, General, Special, and Annual.
3. keep attendance and accurate minutes at Board, General Meetings, and Special Meetings;
4. make available to the Membership a copy of Board, General Meeting, and Special Meeting minutes and maintain a copy for the permanent record;
5. be the custodian of these Bylaws;
6. maintain a roster of the Membership in accordance with Article III, Section D and have it available at all Board, General Membership, and Special Meetings;
7. serve on the Executive Committee; and
8. perform such other duties as may be assigned by the Board.

Section F. Treasurer. The Corporation's treasurer (hereinafter referred to as the "Treasurer") shall be elected to a two (2) year term and shall not serve more than two (2) consecutive terms as the Treasurer. The Treasurer shall:

1. maintain custody of the funds of the Corporation;
2. provide for the maintenance and accounting of all financial records;
3. make monthly written financial reports to the Board reflecting receipts, disbursements, and encumbrances;
4. report any principal change in assets and liabilities at General Meetings;

5. timely file any official report as required by the Act;
6. sign all financial binding documents;
7. each year, timely file a Form 990 with the Internal Revenue Service;
8. submit the financial records for an annual audit by a certified public accountant as determined by the Board;
9. serve on the Executive Committee;
10. serve as chairperson of the Finance Committee; and
11. perform all the duties incident to the office of Treasurer and perform such other duties as may be assigned by the Board.

ARTICLE VII: COMMITTEES

Section A. Committees. The Board shall form standing or ad hoc committees at its sole discretion. A committee and each member of such committee shall serve at the pleasure of the Board. Each committee shall have a chairperson. The chairperson shall be appointed by the President and approved by a majority of the Board. Each chairperson shall serve a one (1) year term, or until that chairperson resigns or is removed. A chairperson may be removed by a two- thirds (2/3) vote by the Board.

Section B. Powers. An action required or permitted to be taken by a committee may occur without a meeting if, before or after the action, all members of the committee consent. A committee may exercise the specific powers and authority given to it by the Board in management of the business affairs of the Corporation. A committee does not have the power or authority to:

1. amend the Articles or these Bylaws;
2. adopt an agreement of merger or consolidation;
3. recommend to members the sale, lease, or exchange of all or substantially all of the Corporation's property or assets;
4. recommend to members a dissolution of the Corporation or revocation of a dissolution;
5. fill vacancies on the Board; or
6. terminate the membership of any Member.

Section C. Executive Committee. The Executive Committee is a standing committee and shall consist of all Officers. The Board may delegate its powers and duties to the Executive Committee between regular Board Meetings. Decisions reached by the Executive Committee between regular Board Meetings may be implemented, but shall require approval at the next Board Meeting.

Section D. Finance Committee. The Finance Committee is a standing committee and shall be chaired by the Treasurer. The Finance Committee's duties include, but are not limited to:

1. meet regularly to review financial reports, develop fiscal policy and review and evaluate the annual budget;
2. provide an annual report to the Board; and
3. provide monthly financial reports to the Board.

Section E. Election Committee. The Election Committee is a standing committee and shall consist of three (3) Members not running for office in the year of the election. Only two (2) Directors may serve on the Election Committee. The President shall select two (2) members of the Election Committee and the Members shall elect the final member by a majority vote. The Election Committee shall be formed at a designated General Meeting during the first quarter of the year, or at such other meeting as determined by the Board. The Election Committee shall not impose any additional requirements on Officers beyond those authorized by these Bylaws.

Section F. Ad Hoc Committees. The Board may create or dissolve any other committees as it deems appropriate.

ARTICLE VIII: ELECTIONS

Section A. Election Committee Duties. The Election Committee shall ensure that elections are fair and transparent by:

1. establishing the procedures for voting
2. serving as inspectors for the election;
3. providing ballots to all Voting Members;
4. ensuring that only eligible Voting Members cast a vote or run for office;
5. tallying the votes at the Annual Meeting; and
6. providing the Membership with a written report summarizing the election.

Section B. Nominations. The Election Committee will conduct nominations at the General Meeting prior to the Annual Meeting. A Voting Member may nominate themselves or other Voting Members by submitting the name in writing to the Election Committee prior to the Annual Meeting. Nominations will be accepted from the floor at the Annual Meeting.

Section C. Date and Location. Elections shall be held at the Annual Meeting and at a location consistent with these Bylaws.

Section D. Voting for Officers. Each Voting Member may cast one vote for each Officer. A majority of all votes cast at the Annual Meeting shall be necessary for election of an Officer. An immediate run-off election shall occur for all Officer positions where no candidate receives a majority of the votes. The run-off election shall occur between the two (2) candidates that

receive the most votes. If after the run-off election, the two (2) candidates receive the same number of votes, another run-off shall occur immediately between those candidates. If after the second run-off the tie is not broken, the new Board, by a majority vote, shall appoint one (1) of the run-off candidates at its next Board Meeting.

Section E. Voting for Directors. Each Voting Member may cast one vote for any candidate running for the office of Director-at-large. The six (6) candidates who receive the most votes shall be deemed Directors. If a tie occurs, giving more than one candidate sufficient votes to be elected, a run-off election shall be held immediately between these candidates. If the run-off election results in two (2) candidates receiving the same number of votes, another run-off shall occur immediately between those candidates. If after the second run-off the tie is not broken, the new Board, by a majority vote, shall appoint one (1) of the run-off candidates at its next Board Meeting.

ARTICLE IX: AMENDMENTS

Section A. Amendments. These Bylaws may be amended, repealed, or altered in whole or in part by a two-thirds (2/3) majority vote of the Membership at any meeting designated for that purpose.

Section B. Notice. Any proposed amendments, as well as an explanation of those amendments, shall be made available to the Membership. The Membership shall receive these materials at the General or Special Meeting prior to the meeting the proposed amendments are voted on.

ARTICLE X: FINANCING

Section A. Sources. The Corporation may obtain funds, in the form of grants, gifts, contributions, or voluntary donations from any governmental body, agency, foundation, private source, and such other sources as determined by the Board.

Section B. Dues. Membership fees may be established and assessed by the Board in its sole discretion.

Section C. Application for Grants. The Board shall approve any application for funding made to the federal, state, or local government, or to a private foundation or corporation.

Section D. Financial Document Signatures. Any financial document used to accomplish the activities of the Corporation shall be signed by the Treasurer and the President or the Treasurer and an Executive Committee member designated by the President.

ARTICLE XI: INDEMNIFICATION

Section A. Proceedings Against Board of Directors. Pursuant to Michigan Compiled Laws Annotated ("MCLA") Section 450.2561, the Corporation has power to indemnify any person who was or is a party to or is threatened to be made a party to, any threatened pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by right of the Corporation) by reason that the person is, or was a Board Member, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a Board Member officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise. The indemnification shall be against reasonable expenses (including attorney's fees), judgments, fines, and amounts paid in settlement, actually incurred in connection with such action, suit or proceeding. The Corporation shall have the power to indemnify the Board Member, officer, employee, or agent of the Corporation, only if he or she acted in good faith and in a manner reasonably believed not opposed to the best interests of the Corporation or its members, and with respect to any criminal action or proceedings, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, or itself shall not create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation or its members and, with respect to any criminal action or proceeding, or that the person had reasonable cause to believe that his or her conduct was unlawful.

Section B. Action in the Right of the Corporation. Pursuant to MCLA Section 450.2562, the Corporation has power to indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was a Board Member, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Board member, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise. The indemnification shall be against expenses (including attorney's fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit. The Corporation shall have this power only if that person acted in good faith and in a manner reasonably believed to be in the best interests of the Corporation or its members; and provided that no indemnification shall be made in respect of any claim or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of a duty to the Corporation unless, and only to the extent that, the court in which such action or suit was brought shall determine upon application, that, despite the adjudication of liability, in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which such court shall deem proper. (MCLA Section 450.2562)

Section C. Expenses of Successful Defense. A Board Member officer, employee, or agent of the Corporation who succeeds on the merits or otherwise in defense of any action referred to above or in defense of any such claim or issue therein shall be

indemnified against expenses (including attorney's fees) actually and reasonably incurred. (MCLA Section 450.2563)

Section D. Determination That Indemnification is Proper. Unless otherwise ordered by a court, under MCLA Section 450.2563(2) and (3) indemnification shall be made by the Corporation only authorized in the specific case upon a determination that indemnification of the Board Member, officer, employee, or agent is proper in the circumstances because that person has met the applicable standard of conduct set forth in those sections. Procedure for determination of indemnification for Members of the Board:

1. Indemnification is approved if a quorum of the Board consisting of individuals not a party to the litigation in question votes by a two-thirds majority that indemnification is proper.
2. If such a quorum is not available, or, if a two-thirds majority does not approve the indemnification, the decision shall be made by a written opinion of independent legal counsel. In such a situation, the Board must retain legal counsel to render such an opinion. If the independent counsel determined indemnification is appropriate, the Board must follow the recommendation of the independent counsel.

Section E. Expense Advance. Expenses incurred in defending a civil or criminal action, suit, or proceeding described in MCLA Section 450.2561 or 450.2562, may be paid by the Corporation in advance of the final disposition of such action, suit, or proceeding, upon receipt of an undertaking by or on behalf of the Board Member, officer, employee, or agent to repay the expenses if it is ultimately determined that the person is entitled to be indemnified by the Corporation. The undertaking shall be but need not be secured. (MCLA Section 450.2564).

Section F. Rights Not Exclusive. The indemnification or advancement or expenses provided under MCLA Sections 450.2561 or 450.2564 is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under the Articles of Incorporation, these Bylaws, or a contractual agreement. However, the total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses. Moreover, indemnification provided in those sections of the Act continues as to a person who has ceased to be a Board Member, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person. (MCLA Section 450.2565(1) and (2))

Section G. Liability Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a Board Member, officer, employee, or agent of the Corporation, or is or was serving in such capacity at the request of the Corporation against any liability asserted against the person and incurred by the person in any such capacity or arising out of the person's status as such, whether or not the Corporation would have power to indemnify that person against such liability under MCLA Sections 450.2561 or 450.2565. (See also MCLA Section 450.2567)

Section H. Scope of Corporation. References to the Corporation in this article include all corporations absorbed in a consolidation or merger with this Corporation so that a person who is or was affiliated with such constituent corporations shall stand in the same position with respect to the resulting or surviving corporation as that person would if that person had served the resulting or surviving corporation in the same capacity. (MCLA Section 450.2569)

Section I. Change in Michigan Law. In the event of any change in Michigan statutory provisions applicable to the Corporation relative to the subject matter of Article XI then the indemnification for which any person shall be entitled shall be determined by such new provisions, but only to the extent that any changes permit the Corporation to provide broader indemnification rights than such provisions permitted by the Corporation prior to the change in the law.

ARTICLE XII: CONFLICT OF INTEREST

Section A. Purpose. The purpose of this Conflict of Interest policy is to protect MorningSide'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 Organization. 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 B. Definitions.

a. Interested Person

Any MorningSide director or officer 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 MorningSide has a transaction or arrangement,
2. A compensation arrangement with MorningSide or with any entity or individual with which the MorningSide has a transaction or arrangement, or
3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which MorningSide 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 X, Section 2, a person who has a financial interest may have a conflict of interest only if a majority of the Board of Directors decides that a conflict of interest exists.

Section C. 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 Board of Directors.
- 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 Board of Directors meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board members shall decide if a conflict of interest exists.
- c. Procedures for Addressing the Conflict of Interest
 - 1. An interested person may make a presentation at the Board of Directors 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.
 - 2. After exercising due diligence, the Board shall determine whether MorningSide 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.
 - 3. If a more advantageous transaction or arrangement is not reasonably possible, the Board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in MorningSide's best interest. 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 Conflict of Interest Policy
 - 1. If the Board of Directors 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.
 - 2. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board of Directors determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Section D. Records of Proceedings. The minutes of the Board of Directors meetings 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 Board'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 E. Compensation.

- a. Any member of the Board of Directors who receives compensation, directly or indirectly, from MorningSide is precluded from voting on matters pertaining to that member's compensation.
- b. No member of the Board of Directors who receives compensation, directly or indirectly, from MorningSide, is prohibited from providing information to any general member regarding compensation.

Section F. Annual Statements. Each Board of Directors member 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 MorningSide is a charitable organization 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.