

# **2-X1 CHARITIES, INC. BY-LAWS**

## **ARTICLE I**

### **Names. Offices. Register Agent**

- Section A. The name of the organization shall be the 2-X1 Charities, Inc. hereafter referred to as the Corporation.
- Section B. The principal office of the Corporation in the State of Texas shall be located in any city or county in the boundaries of Lions Clubs International District 2-X 1. The Corporation may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.
- Section C. The Corporation shall have and continuously maintain in the State of Texas a registered office and a registered agent whose office is identical with such registered office as required by the Texas Non-Profit Corporation Act. The registered office may be, but not need be, identical with the principal office in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors.

## **ARTICLE II**

### **Purpose**

- Section A. The primary purposes of the Corporation are to foster educational, charitable, scientific and literary activities. The Corporation is to be guided by, but not constrained by, this statement of purposes and may engage in any lawful activity.

## **ARTICLE III**

### **Members**

- Section A. The Corporation shall have one class of members. The qualifications and rights of the members of such class shall be as follows: All Lions Clubs in District 2-X1 shall be members. Election of each Director shall be determined by the Constitution and By-Laws of Lions Clubs International and District 2-X1.

## **ARTICLE IV**

### **Meetings of Members**

#### **Section A: Annual Meeting**

The annual meetings of members shall be held at such time and place as may be fixed from time to time by the Board of Directors subject to any limitations as may be found in these bylaws. The members shall elect by a plurality vote a Board of Directors and transact such other business as may be properly brought before the meeting, all in person or by proxy. Cumulative voting is not allowed.

#### **Section B: Notice**

Written notice of the annual meeting stating the place, day and hour of the meeting shall be mailed, e-mailed or delivered not less than fifteen or more than fifty days before the date of the meeting, either personally or by regular mail or by email, by or at the direction of the president, the secretary, or the officer or persons calling the meeting, to each member of record entitled to vote at such meeting. Such notice may be waived in writing by all the members.

## **ARTICLE V**

### **Board of Directors**

**Section A: General Powers** The affairs of the Corporation shall be managed by its Board of Directors.

#### **Section B: Board Meetings**

1. **REGULAR** - The board shall meet not less than quarterly during the fiscal period of the Corporation.

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2. SPECIAL - Special Meetings of the Board may be called by the President and a Special Meeting must be called if requested in writing by four Voting Directors. Notice of any special meeting of the Board of Directors shall be given at least ten (10) days to all board members previously thereto by written notice delivered personally or sent by mail, e-mail, facsimile transmission or telegram to each Director at his address as shown by the records of the Foundation's Secretary. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. If notice be given by electronic or facsimile transmission, such notice shall be deemed to be delivered when the electronic or facsimile transmission is delivered to the electronic or facsimile address of the recipient. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these bylaws.
3. QUORUM - A majority of the Voting Directors shall constitute a quorum.
4. CONDUCT OF MEETINGS - Unless otherwise specified herein, all meetings shall be conducted in accordance with the latest revised Roberts Rules of Order.
5. ALTERNATIVE FORMS OF MEETINGS • All meetings of the Board may be conducted using a conference telephone, or similar communications equipment, or another suitable electronic communications system, including video conferencing technology or the Internet, or any combination thereof, if the telephone or other equipment or system permits each person participating in the meeting to communicate with all other persons participating in the meeting; provided that reasonable measures are implemented to verify that every person voting by means of remote communications at any such meeting is sufficiently identified and a record is kept of any vote or other action taken.

### Section B: Number, Tenure and Qualifications

The Board of Directors shall have **ten (10)** voting Directors. Voting Directors are President, 1<sup>st</sup> Vice President, 2<sup>nd</sup> Vice President, 3<sup>rd</sup> Vice President and six elected Directors. Elected Directors shall hold office for three year terms, the term to extend until the Director's third annual meeting of members and until his successor shall have been elected and qualified. Following 1st year exceptions will be adhered in the election of Board of Directors. Member Directors in the first Board of Directors shall be elected to the following tenures two member Directors for three year terms, two member Directors for two year terms, and two member Directors for a one-year term. Member Directors shall be chosen solely from the Corporation's members.

1. At the annual meeting of the District 2-X1 convention. Directors of the corporation shall be elected in accordance with the by-laws or amendments of Lions Club International District 2-X1. Such election and the time of same shall be consistent with the Constitution and Bylaws of the International Association of Lions Clubs in all matters. Directors of the corporation shall be elected by a plurality vote of all voting delegates.
2. To be qualified as a Voting Director of the Board of Directors, one must be a member in good standing of a District 2-X1 Lions Club which is also in good standing. The endorsing club shall submit a letter in support of this candidate according to the requirements of District 2-X1. The Board of Directors may contain more than one representative from an individual Lions Club in District 2-X1; however, not more than two at any one time.
3. Election and Board Vacancies:
  - a. If the following vacancies occur;
    1. In the event the delegates of the District fail to elect a Director, the District Governor-elect of the District shall nominate a Lion to serve as Director to serve the same term as the elected Director.
    2. If the District Governor-elect does not nominate a Director within 30 days after July 1st, then the 2-X1 Charities, Inc. Board of Directors will nominate a Director to serve.

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3. If other vacancies occur through resignation, death or removal, the 2-X1 Charities, Inc. Board of Directors will nominate a Director to serve.
- b. The following procedures shall occur;
  1. Nominations will be accepted from the District Governor, Vice District Governor, a member of the Board of Directors or any Club in accordance with Article III, Section A, Paragraph ~~2~~1.
  2. Nominations shall be received within ten (10) days of the Board meeting to discuss or interview the nominee.
  3. Nominees shall not be present at the meeting in which the vote will be taken and if present shall be asked to leave the meeting during the voting.

### Section C: Duties of a Director

1. Regularly attend Board of Directors meetings and respond to all correspondence of items of concern by email, phone, and/or mail.
2. Regularly present programs to the Lions Clubs of District 2-X1 to promote the activities of 2-X1Charities, Inc.
3. Regularly attend the District 2-X1 Cabinet meetings, Mid-Winter Conference and District Convention to promote the activities of 2-X1 Charities, Inc.
4. Perform all duties as assigned to him or her by the President or the Board of Directors.
5. Abide by governmental policies and compliance regulations under Section 501(c)(3) of the Internal Revenue Service Codes and the Texas Non-Profit Corporation Act.
6. Abide by the Policies of the Corporation established by the Board of Directors.

### Section D: Notice

Notice of any special meeting required of Directors shall be given at least five days previously thereto by written notice delivered personally or sent by mail, e-mail or national delivery service to each Director at his address as shown by the records of the Corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, the postage thereon prepaid. If notice is given by e-mail, such notice shall be deemed to be delivered when the e-mails sent to the server. If notice is given by national delivery service, such notice shall be deemed to be delivered when the notice is delivered to the national delivery service company. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of any regular or special meeting or the Board need to be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these bylaws.

### Section E: Manner of Acting

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 of Directors, unless the act of a greater number is required by law or by these by-laws. The non-voting members shall give their advice and opinions on all matters but shall not vote on any matter. In the event of a tie vote of the Board, the motion fails.

### Section F: Vacancies

Any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of Directors may be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board of Directors. A Director appointed to fill a vacancy shall be for the unexpired term of his predecessor in office.

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## Section G: Compensation

Directors as such shall not receive any stated salaries for their services, but nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefore. Reimbursement may be made to them for expenses incurred in the performance of their duty subject to approval by the Board.

## Section H: Informal Action by Directors

Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of Directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors.

The Board of Directors shall provide bond for all officers for the faithful discharge of his/her duties in such sum and with such surety or sureties as the board of directors shall determine

## **ARTICLE VI Officers**

### Section A: Officers

- a. Executive Officers: The executive officers of the Corporation shall be a President, who shall be the Immediate Past District Governor of Lions Clubs International District 2-X1. The office of the 1<sup>st</sup> Vice-President shall be held by the current District Governor of Lions Clubs International District 2-X1. The office of the 2<sup>nd</sup> Vice- President shall be held by the current Vice-District Governor of Lions Clubs International District 2-X1. The office of the 3<sup>rd</sup> Vice-President shall be held by the current 2<sup>nd</sup> Vice-District Governor of Lions Clubs International District 2-X1. The secretary and a treasurer shall be appointed by the Directors of 2-X1 Charities, Inc.
- b. Election of officers will be held at the meeting immediately preceding the Annual Meeting of the Board of Director, The President will name a Nominating Committee at least 1 meeting prior to elections that will report its recommendations at the regular meeting of the Board of Directors immediately before the Annual Meeting. Nominations may be made from the floor providing that the person nominated has given his/her consent prior to such nomination.
- c. The Board of Directors may elect or appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any two or more offices may be held by the same person, except the office of President, Secretary and Treasurer.

### Section B: Removal

Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed.

### Section C: Vacancies

A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

### Section D: President

The President shall be the principal executive of the Corporation and shall in general supervise and control all of the business and affairs of the Corporation. He or she shall preside at all meetings of the members and of the Board of Directors. He or she may sign, with the Secretary or any other proper officer of the Corporation authorized by the

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Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments. In general, he or she shall perform all duties as may be prescribed by the Board of Directors from time to time.

### Section E: 1<sup>st</sup> Vice President

In the absence of the President or in the event of his or her inability or refusal to act, the 1<sup>st</sup> Vice President when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

### Section F: 2<sup>nd</sup> Vice President

In the absence of the President or 1<sup>st</sup> Vice President, in the event of his or her inability or refusal to act, the 2<sup>nd</sup> Vice President when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors

### Section G: 3<sup>rd</sup> Vice President

In the absence of the President, 1<sup>st</sup> Vice President or 2<sup>nd</sup> Vice President, in the event of his or her inability or refusal to act, the 3<sup>rd</sup> Vice President when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors

### Section H: Treasurer

If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine. He or she shall have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article VII of these by-laws; and in general perform all the duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

### Section I: Secretary

The Secretary shall keep the minutes of the meetings of the members and of the Board of Directors in one or more books provided for the purpose; see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; be custodian of the corporate records; keep a register of the post-office address of each member which shall be furnished to the Secretary by such member; and in general perform all duties incident in the office of Secretary and such other duties as from time to time may be assigned to him or her by the president or by the Board of Directors.

## **ARTICLE VII Contracts, Checks, Deposits, and Funds**

### Section A: Contracts

The Board of Directors may authorize any officer or officers, agent or agents of the Corporation, in addition to the officers so authorized by these by-laws, to enter any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances.

### Section B: Checks. Drafts. etc.

All checks, drafts or orders for the payment of money, notes or other evidences of indebtedness issued in the name

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of the Corporation, shall be signed by any officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. Such instruments shall be signed by the Treasurer and countersigned by the President, either Vice Presidents, Secretary, or any other agents or agents as determined by resolution of the Board of Directors of the Corporation.

### Section C: Deposits

All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

### Section D: Gifts

The Board of Directors may accept on behalf of the Corporation any contribution, gift bequest or devise for the general purposes or for any special purpose of the Corporation.

### Section E: Funds

1. All funds received by the 2-X1 Charities, Inc. not designated shall be classified as belonging to the 2-X1 Charities, Inc. and shall be deposited to undesignated funds.
2. Any funds received by 2-X1 Charities designated for another 501(c)(3) charity shall be forwarded to the respective organization.
3. There shall be established the following fund accounts:
  - a. 2-X1 Charities, Inc.
  - b. Camp New Horizons
  - c. Sports Extravaganza for the Blind and Visually Impaired.
  - d. Student Scholarship Contest;
    1. Student Speaker
    2. Diabetic Essay
    3. Outstanding Youth
    4. Peace Poster
  - e. Diabetic Awareness
  - f. Youth Awareness/Drug Awareness
  - g. Hearing Conservation
  - h. Disaster Relief
  - i. Medical Assistance
  - j. Personal Assistance
4. Additional fund accounts may be established by the Board of Directors from time to time in accordance with Article VII, Section a, b and c.
5. All established funds shall include an operating fund and may include restricted funds such as an endowment, trust, emergency, plant, and scholarship funds. All activities of the various funds shall be recorded separately and ending equity and/or fund balances shall be recorded on a monthly basis.
  - a. General (Operating) Funds:
    1. All contributions, gifts, and bequests received and accepted by the 2-X1 Charities, Inc. not classified as designated funds shall belong to the General (Operating) Fund, and shall be used for such purposes as may be determined by the Board of Directors from time to time.
    2. All contributions, gifts, and bequests received and accepted by the 2-X1 Charities, Inc. classified as designated funds shall belong to their respective General (Operating) Fund, and shall be used for such purposes as may be determined by the Board of Directors from time to time.

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b. Endowment Fund:

1. All monies and properties, both real and personal, received from any source by the 2-X1 Charities, Inc. for endowment purposes shall be designed as the "2-X1 Charities, Inc. Endowment Fund" and shall be kept separate and apart from other properties of the Corporation. The Corporation may retain any assets as received, if authorized by the Board of Directors.
2. All monies received by the Corporation for endowment purposes shall be received and deposited by the Treasurer as required of other funds received by the Corporation.
3. The authority to receive and administer the 2-X1 Charities, Inc. Endowment Fund is vested in the Board of Directors as in accordance with Article VII, Section a, b and c.
4. The net revenue from the Endowment Fund shall be transferred annually to the respective General (Operating) Fund.
5. The 2-X1 Charities, Inc. Endowment Funds shall be invested State or Government backed obligations, agency papers, and investment grade corporate bonds. Said funds may be deposited in banks or vested where the amount deposited is insured under and by virtue of the Federal Deposit Insurance Corporation; and deposited or invested with savings and associations where the amount is insured under and by virtue of the Federal Savings and Loan Insurance Corporation.

c. Trust Fund:

1. All testamentary gifts, life memberships, fellowships and memorials received by the Corporation not specifically designated for any other purposes, shall be deemed to have been received for the 2-X1 Charities, Inc. Trust Fund, and special inter vivos gifts designated for this fund by the donor shall be maintained.
2. The net revenue of the Trust Fund may be used by the Corporation for such purposes as may be determined by the Board of Directors, provided such action is taken within a twelve (12) month period after the year in which earned.
3. The principal of the Trust Fund may be used for new construction, replacement of buildings, and major equipment. or major maintenance on buildings and equipment or for the operation of the Camp when authorized by four-fifths (4/5) majority vote of the total Board of Directors.

d. Emergency Fund

1. An Emergency Operating Fund shall be maintained, but not exceeding thirty (30%) percent of the prior year budget. The fund cannot be reduced by more than eighty (80%) percent of its available funds. If the Emergency Fund is used in any year, the fund must be replenished from the General Fund and must be part of the budgeted funds in the following year.

e. Plant Fund:

1. As of the close of each fiscal year, an amount equal to the recorded depreciation expense for the year will be withdrawn from the General Fund and deposited to the credit of the Plant Fund. These funds shall be maintained separate and apart from other funds of the Corporation and shall be restricted to replace fixed assets and for no other purpose.
2. Other funds may be transferred to Plant Funds for other asset acquisitions with such funds being maintained separate and apart from other funds of the Corporation and shall be placed in an unrestricted account.
3. All gifts received by the Corporation, specifically designated for asset acquisition or renovation, shall be

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deemed to have been received for the 2-X1 Charities, Inc. Plant Fund, with such being maintained separate and apart from other funds of the Corporation and shall be placed in a restricted account for the Purpose so given and for no other purpose.

4. The authority to receive and administer the Corporation Plant Fund is vested in the Board of Directors as in accordance with Article VII, Section a, b and c.
5. The net revenue of the Plant Fund hereafter earned and received shall remain with Plant Fund.

### Section F - Bank Requirements

1. During the first meeting of the fiscal year, the Board of Directors shall designate the financial institution(s), covered by the Federal Deposit Insurance Corporation, in which the funds of the Foundation shall be deposited.
2. During the first meeting of the fiscal year, the Board of Directors shall designate, authorize, and empower the President, Vice-President, Secretary, and Treasurer to countersign on behalf of the Corporation. If the President, Vice-President, Secretary, and Treasurer has any conflict of interests or family with each other than the Treasurer shall sign all checks and countersign with the officers who are not in conflict.

### Section G – Donations to non-501(c)(3) organization

1. The Corporation may, from time to time, have a request to provide funds to a non-501(c)(3) organization. This may be via a designated donation made to the Corporation from a third party or a special request from an outside organization, such as a Lions Club in Lions International District 2-X1. When such a request is made to the Corporation, the Board will determine if the Corporation will accept the donation(s), based on Appendix A Conflict of Interest Policy, and if the Corporation will provide the funds to the non 501(c)(3) organization as requested by the contributor. If the Board approves such a transaction, the Corporation shall accept the donation as restricted funds to be provided only to the non 501(c)(3) organization via a Grant from the corporation. If the funds cannot be accepted by the non 501(c)(3) organization or if the organization is not acceptable to the Board for a Corporate Grant, based solely on the Board's discretion, the donated funds will be returned to the contributor with an explanation why the funds were returned.

## **ARTICLE VIII Books and Records**

- Section A. The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, Board of Directors and committees having any of the authority of the Board of Directors and shall keep at its registered or principal office a record giving the names and addresses of the Clubs entitled to vote. All books and records of the Corporation may be inspected by any member, or his agent or attorney, for any proper purpose at any reasonable time.
- Section B. The Corporation through the Board of Directors shall establish a Corporate Policy Manual concerning the Standard Operating Procedures of the Corporation.

## **ARTICLE IX Fiscal Year and Audit**

- Section A: 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.
- Section B. Audit:          An annual internal audit will be made at the close of each fiscal year and a report will be presented at the next meeting of the Board following 90 days after the close of the fiscal year. The need for and to conduct of an independent certified audit will be determined by the Board as required.



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**ARTICLE XII  
Conflict of Interest**

Section A. The Corporation's conflict of interest policy is described in Appendix A and has been adopted and incorporated as part of these By-Laws.

**ARTICLE XIII  
Waiver of Notice**

Section A. Whenever any notice is required to be given under the provision of the Texas Non-Profit Corporation Act or under the provisions of the articles of incorporation or the by-laws of the Corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

**ARTICLE XIV  
Amendments to By-Laws**

Section A. These bylaws may be altered, amended or repealed and new bylaws may be adopted by utilizing the following listed procedure: (1) The members of the Board of Directors present at any regular meeting or any special meeting may approve any changes in the by-laws, if at least (10) ten days' written notice is given of intention to alter, amend, or repeal these bylaws or to adopt new bylaws at such meeting by a two-thirds (2/3) of the Board members. (2) The proposed bylaw revisions are then sent to the District Governor of District 2-X1 for placing on the ballot for a vote of "yes" or "no" by the delegates attending the next District Convention. The District Governor will notify the President of the 2-X1Charities, Inc. the vote for and against the proposed amendments to the bylaws (3) An approval vote of two-thirds (2/3) of the Registered Voters present at the time of the vote is required for the amendments to be passed.

**ARTICLE XV  
Adoption of By-Laws**

The foregoing initial By-Laws of this Corporation are hereby adopted by the Directors of the Corporation on April 29. 2017 and by the members of Lions Clubs International District 2-X1 at the Annual 2-X1 District Convention on April 29. 2017.

The foregoing initial By-Laws of this Corporation are hereby adopted by the members of Lions Clubs International District 2-X1 at the Annual 2-X1 District Convention on April 29. 2017.

The foregoing initial By-Laws of this Corporation are hereby adopted and amended by the members of Lions Clubs International District 2-X1 at the Annual 2-X1 District Convention on April 29. 2017.

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## Appendix A Conflict of Interest Policy

### Article I Purpose

The purpose of the conflict of interest policy is to protect this tax-exempt Corporation's (2-X1 Charities, Inc.) 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 of 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 governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.
2. Family Person.  
For the purpose of the Family, "family" includes all members related by birth, marriage and other legal means, including such common family relations as parents, children, spouses, aunts/uncles, cousins, grandparents and in-laws of spouses.
3. 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 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 governing board or committee decides that a conflict of interest exists.

### Article III Procedures

1. Duty to Disclose  
In connection with any actual possible conflict of interest an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.
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 governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.
3. Procedures for Addressing the Conflict of Interest
  - a. An interested person may make a presentation at the governing board or committee meeting, but after the

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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 governing board 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 governing board or committee shall determine whether the Corporation can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interest, for its own benefit, and whether it is a 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 governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

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

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

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing boards 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.

### **Article V Compensation**

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation, either individually or collectively, is prohibited from providing information to any committee regarding compensation.
- d. Physicians who receive compensation from the Corporation, whether directly or indirectly or as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.

### **Article VI Annual Statements**

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

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

### **Article VII Periodic Reviews**

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

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Corporation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

### **Article VIII Use of Outside Experts**

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