

# XXXX Family Constitution

## XXX Family Core Values/Guiding Principles

We believe and follow the teachings of Jesus Christ.

- **We are grateful**
  - ◆ We believe all things come from Heavenly Father and feel that our family has been greatly blessed
  - ◆ We are grateful for ancestors, their Children and their spouses and all who have sacrificed for the family
- **We are progressive, yet conservative**
  - ◆ Our primary focus is to reduce debt as quickly as possible by reinvesting most of the income back into the business
  - ◆ We continue to maintain and improve our competitive advantage through planning and preparing for the future
- **We want to make the world a better place**
  - ◆ By applying gospel principles and uplifting those around us
  - ◆ Through contributing locally to our community by serving others and assisting those in need
  - ◆ We encourage and support education
  - ◆ We have respect for and show kindness towards others
- **We are loyal**
  - ◆ To our Gospel beliefs, our family and our business principles and values
  - ◆ We consistently support those individuals and institutions that share our values
- **We are honest**
  - ◆ It is our responsibility to fulfill all commitments as we deal with others in all aspects of our lives
- **We believe success comes from hard work**
  - ◆ We appreciate and follow the example of (our founders)
  - ◆ Through hard work we fulfill our dreams and shape our lives to achieve success
- **We believe in giving service**
  - ◆ To our family, employees, customers, community, those in need and our God
  - ◆ We know that by serving others we benefit from a prosperous business, a stronger community and a higher respect for all mankind
- **We believe we should take care of what we have**
  - ◆ We put our strongest efforts into maintaining, improving and adding value to our family, business and everything with which we have been blessed

## Family Council Bylaws

Mission of Family Council:

“The Mission of the Family Council is to Represent, Educate, and Communicate with each family member to be responsible business owners and family members.”

### The Family Council Shall Consist of

- 1 Board of Director
  - One Year term
  - Rotation determined by BOD

- 8 Elected Family Members
  - Three-year term (If unable to complete full term that family will select a replacement to finish out remainder of term)
  - Elected by Individual Families
  - Two members per family
  - No term limit
  - A diverse group is encouraged (Age, gender, experience, education, etc.)
- Terms end after the Annual Family Assembly.

**Compensation**

- Family Council Members: \$400 annual salary split and paid out quarterly and \$100 paid per attended Family Council meeting.
- Family Council Chairperson: \$600 annual salary split and paid out quarterly and \$150 per attended Family Council Meeting
- Family Council Members & Chairperson will be paid \$200 per attended Board meeting.

**Dress Code**

- Business attire is required while attending Board of Director and Family Council meetings held at XXXX as follows:
  - Acceptable Attire for Ladies: Ironed cotton pants, dress slacks, twill pants, dressy blouses, dressy sweaters, dress shoes or sandals, dresses, dress suits.
  - Acceptable Attire for Men: Long- or short-sleeved dress shirt, dress slacks, cotton pants, sweater/vest, dress shoes.
- Casual dress may be permissible when family council meetings are held at locations other than the Boulevard.

**Family Council Leadership Positions**

- Chairman                      Elected by the Council (Two-year term unless the newly elected Chairman is at the start of their final (third) year of their Family Council Term. Under this circumstance the term is only one year.)
- Vice Chairman              One-year term              Voted by the council
- Secretary                    Yearly position              Assigned by Chairman-No term limit
- Historian                      Yearly Position              Assigned by Chairman-No term limit

**Reimbursement**

FC members will be reimbursed the following only for attending Family Council meetings and Board of Directors meetings:

- Travel
  - Auto Mileage (exceeding 25 miles)
  - Airfare
- Babysitting will be paid at \$8 per hour. FC member’s spouse will not be paid. Children of FC members may babysit for \$5 per hour.

### **Board of Director Meeting Attendance**

- Two Family Council members will be invited to attend each Board of Directors meeting, only one is required.
- The role of the Family Council member present at the BOD meeting is to observe, learn, and communicate to the BOD the views of the family related to specific issues and to communicate back to the Family Council the pertinent decisions and issues discussed at the Board meeting the Family Council members attended.
- In addition to the two FC members attending Board of Directors meetings, other family members are allowed to attend those same meetings. The following will apply:
  - Family members attending will be coordinated by the FC Chairman.
  - All family members (not part of the FC) may attend Board meetings with approval from the BOD chairperson (non-compensated).
  - Family members are encouraged but not required to stay for the entire meeting.
  - Family members are required to complete the evaluation form and submit to FC chairperson.
  - Family members are required to submit updates from the board meeting to the FC chairperson .
  - FC member will be compensated for board meeting AFTER evaluation form and updates of the meeting are submitted to FC chairperson
- FC chairperson will submit FC members' board meeting evaluation to BOD.

### **Board of Directors' Meeting Evaluation Form**

Evaluator:

Date:

How was the meeting beneficial?

How did you participate? If you didn't participate, how could the BOD involve Family council members more?

What could have been done differently?

Additional Suggestions:

### **Seminar/Convention Evaluation**

Family members may attend a pre-approved event for the purpose of gaining strategies for a successful family business. The following report must be turned into the Family Council Chairperson at completion of event.

Name: \_\_\_\_\_

Name of conference/seminar attended: \_\_\_\_\_

Dates attended: \_\_\_\_\_ Location \_\_\_\_\_

What did you enjoy most about this event?

Would it be beneficial for other family members to attend this seminar at a later date:  
Please explain (why & who)

Based on what you learned at this seminar/convention, what would you like to see the FC/family business **CONTINUE** doing?

Based on what you learned at this seminar/convention, what would you like to see the FC/family business **STOP** doing?

Based on what you learned at this seminar/convention, what would like to see the FC/family business **START** doing?

### **Family Council Position Description-Chairperson**

Revised 7/23/09

<b>Reports To:</b>	The Board of Directors
<b>Term:</b>	Two Years or One Year if in the last year of FC Term
<b>Compensation:</b>	\$600 annual salary split and paid out quarterly and \$150 per attended Family Council Meeting. \$200 per attended Board meeting. If the chairperson is a salaried employee of the family business, he/she will only receive the annual salary.
<b>Purpose/Goal:</b>	Strengthen the relationship between the family business and family members while building a long-term, prosperous environment for both.

#### **Task List:**

- All other duties of a Family Council Member
- Oversee all functions of the Family Council
- Organize effective Family Council Meetings as needed
- Create an Agenda for each Family Council Meeting
- Attend and conduct each Family Council Meeting
- Encourage innovation and openness while mediating discussion during Family Council Meetings
- Oversee and initiate necessary communications to Family Council Members and other family members

- Work closely with the Board of Directors to accomplish their tasks and objectives
- Maintain good relations and open communication between all family members
- Implement approved policies
- Oversee the annual Family Assembly
- Train existing and new Family Council Members regarding their responsibilities as a member
- Encourage family members to seek out the best education and career opportunities
- FC chairperson will submit FC members' board meeting evaluation to BOD chairperson
- FC chairperson will submit FC members' seminar/convention evaluation to BOD chairperson and FC members

### **Family Council Position Description- Vice Chairperson**

Reports To: Family Council Chairperson  
 Term: One Year, no limit to # of terms  
 Compensation: \$400 annual salary split and paid out quarterly and \$100 per attended Family Council Meeting.  
 \$200 per attended Board meeting. If the vice chairperson is a salaried employee of the family business, he/she will only receive the annual salary.

Purpose/Goal: Strengthen the relationship between the family business and family members while building a long-term, prosperous environment for both.

#### Task List:

- All other duties of Family Council Member
- Fulfill responsibilities of Chairperson if Chairperson is unable to do so
- Work closely with Family Council Chairperson and Secretary
- Work closely with XXX Managers and XXXX Human Resources Department for job updates
- Inform family members of job opportunities within the family business

### **Family Council Position Description- Secretary**

Reports To: Family Council Chairperson  
 Term: One Year, no limit to # of terms  
 Compensation: \$400 annual salary split and paid out quarterly and \$100 per attended Family Council Meeting.

\$200 per attended Board meeting. If the secretary is a salaried employee of the family business, he/she will only receive the annual salary.

Purpose/Goal: Strengthen the relationship between the family business and family members while building a long-term, prosperous environment for both.

Task List:

- All other duties of Family Council Member
- Work closely with Family Council Chairperson and Family Council Vice Chairman
- Take minutes at each Family Council Meeting
- Create Word document of Family Council Meeting minutes and make sure all Family Council members get a copy
- Create Word document of FC meeting updates (information pertinent to general family members) to be distributed to individual family members by their FC representatives.
- Be sure all Family Council members are aware of assignments after each meeting

### **Family Council Position Description- Historian**

Reports To: Family Council Chairperson

Term: One Year, no limit to # of terms

Compensation: \$400 annual salary split and paid out quarterly and \$100 per attended Family Council Meeting.  
\$200 per attended Board meeting. If the historian is a salaried employee of the family business, he/she will only receive the annual salary.

Purpose/Goal: Strengthen the relationship between the family business and family members while building a long-term, prosperous environment for both.

Task List:

- All other duties of Family Council Member
- Keep a written & digital record of: (updated annually)
  - All family member names, birthdates, phone #, email address.
  - Family Council members and leadership positions.
  - Family Council Chairperson Perpetual Plaque (plate update)
  - Significant events and highlights of each year
    - Business & Family
  - Pictures/documents/etc.

### **Family Council Position Description-FC Member**

**Reports To:** Family Council Chairperson  
**Term:** Three Years (Please refer to Family Council Bylaws)  
**Compensation:** \$400 annual salary split and paid out quarterly and \$100 per attended Family Council Meeting.  
\$200 per attended Board meeting. If the family council member is a salaried employee of the family business, he/she will only receive the annual salary.  
**Purpose/Goal:** Strengthen the relationship between the family business and family members while building a long-term, prosperous environment for both.

**Task List:**

- Help all family members to better understand the Family Business
- Provide important information and pictures to the Historian
- Update the XXXX Family Constitution
- Fun
- Read books, articles and other materials when requested
- Attend Board of Directors meetings when assigned or requested
- Attend at least one Business Conference/Seminar during term
- Prepare for and Participate in each Family Council Meetings
- Hold regular “family” meetings to communicate changes from the Family Council and provide input to Family Council decisions
- Represent immediate family on the Family Council
- Work closely with the Board of Directors to accomplish their objectives
- Maintain good relations and open communication between all family members
- Help create and propose policies and present them to the Board of Directors
- Implement approved policies
- Address future and current family/business concerns
- Resolve family privilege issues
- Help plan and participate in the annual Family Assembly
- Complete assignments given during Family Council and Board of Directors Meetings
- Encourage family members to seek out the best education and career opportunities
- Arrange learning opportunities for family members
- Complete Board meeting evaluation form and submit to FC chairperson
- Complete Seminar/Convention Evaluation form and submit to FC chairperson
- Submit updates from the board meeting to the FC chairperson
- FC member will be compensated for board meeting after evaluation form and board meeting updates are submitted to FC chairperson
- FC member will be compensated for seminar/convention after evaluation form is submitted to FC chairperson.
- Plan the following year **focus** topic to be discussed by FC

## **Family Council/Business Growth Member Evaluation**

An annual review will be done by the Chairperson of both the Family Council (FC) and Business Growth Committee (BGC) members.

- Each member of the FC/BGC will be evaluated on their individual performance
- Items to be evaluated are attendance, leadership, items from the job description, ability to work with others and other related areas.
- A one-on-one interview will not be required.
- Reviews from the Chairperson will be shared with only the individual being evaluated. FC/BGC members will not be shown review results of other members.
- Each review will then be turned over to the Board of Directors and filed for future reference.
- Positive letters from one FC/BGC member to another should also be shared with the BOD and filed for future reference.

An annual review will also be done by the Board Member sitting on the FC of the FC Chairperson.

- Items to be evaluated are attendance, leadership, items from the job description, ability to work with others and other related areas. A one on one interview will not be required.
- Reviews from the BOD will be shared with the FC Chairperson.
- The review will then be turned over to the Board of Directors and filed for future reference.

An annual review will also be done by a Board Member of the BGC Chairperson.

- Items to be evaluated are attendance, leadership, items from the job description, ability to work with others and other related areas. A one on one interview will not be required.
- Reviews from the BOD will be shared with the BGC Chairperson.
- The review will then be turned over to the Board of Directors and filed for future reference.

## **Policy Creation/Policy Revision**

1. Family issues both existing or potential demand policy creation or change
2. FC will discuss the issue and create or change a policy
3. The newly created/changed policy must be agreed upon by the majority of the FC members
4. The policy is then presented to the Board of Directors
  - a. If approved by the Board of Directors it is added to the Family Constitution

- b. If not approved by the Board of Directors, suggestions will be taken back to the FC, who will then make revisions and resubmit the policy for approval.
  1. The above step will be repeated until the policy is approved or abandoned.

## **Meeting Ground Rules**

1. Be respectful and courteous
  - a. Don't interrupt anyone
  - b. Participate fully for the entire meeting
  - c. Avoid surprising fellow meeting participants
  - d. Turn phones to (vibrate) mode
  - e. Use electronic devices only when appropriate
2. Be punctual
3. Stick to the agenda
  - a. Agendas are required for each meeting
  - b. New topics may be added only with the consent of the group
  - c. Chairperson leads group in keeping "on topic"
4. Agree to disagree on some points... and move on
5. Seek first to understand, then to be understood
  - a. Listen first, seek to understand, then respond
6. Manage conflict and disagreements
  - a. Anyone in the meeting can call a 10-minute "time out"
  - b. Nobody can leave the meeting in anger
7. Organize for efficiency
  - a. At the beginning of each meeting, choose a:
    - i. Chairperson – lead meeting and keep everyone on the agenda
    - ii. Vice-Chairperson – make sure meeting progresses according to schedule
    - iii. Rotating FC member – pleasantly and persistently enforces the meeting rules
    - iv. Secretary – takes notes

## **Employment Policy**

As the Family Council, we do not believe that members of the family seeking employment at any of the (XXXX) businesses should be given preferential treatment. They should be evaluated on their merit to the company and to the specific position they are applying for. The (XXXX) business has evolved from a traditional family business to a corporate structured business run by family values. Therefore we will hire the best person for the job. It is important for those family members interested in employment to be proactive.

However, in the case that family members are judged to be equal to other candidates for the same position, we believe they should be given the first opportunity to have the position. We believe this is consistent with our goal of leveraging the trust and loyalty within the family that has benefited us in the past.

If a family member interviews for a position in the family business and does not get the position there will be a post interview follow-up.

### **Upper-Level Positions (CEO, CFO, Vice Presidents, etc.)**

- Education
  - Bachelor's degree
  - Graduate degree
- Experience
  - 2 years outside full-time work experience Post-Bachelor's Degree.
- Opportunity
  - There must be a legitimate job opening, which will be determined by the Board of Directors

### Family Employment "Grandfathered" Policy - January 16, 2006

After lengthy discussion and debate about the Family Employment Policy, the Family Council determined that some family members should be "grandfathered" beyond the requirements of the Family Employment Policy.

The following were grandfathered:

#### **4th Generation Employment**

- Under 10 years old
  - Must be accompanied by an adult
  - No pay from business
- Able to work at 10 years of age
  - Must work in the Buddy System until age 12.
  - Paid on payroll
    - See compensation pay scale based on age up to age 18
    - If over 16 and working on a consistent basis pay will be based on experience.
  - With manager's approval

#### **Termination Procedures**

- Termination procedures for family members are outlined in each Company Handbook.

#### **Job Posting Procedures for Family Members**

- FC Vice-Chairperson will be in contact with HR director at (Company).
- VC will forward job postings to FC members.

- FC members will forward job postings to their family members.
- Positions that will be posted include:
  - Upper & Mid-management positions
  - Supervisory positions & Professional positions
- Family members are responsible to inquire about other positions within the family businesses.
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### **Compensation Policy**

Family members will be paid based on job duties, fair market value, and job performance. If additional duties are performed, the family member will be compensated for it.

Family members' evaluations will be performed by their direct manager/supervisor. Fair market value will be determined by that manager and the management team, taking into consideration:

- Experience and longevity
- Loyalty
- Qualifications and skill set
- Education and/or training
- Potential
- Requirements for the position

Family members will be evaluated as often as outlined in the company handbook.

Benefits (including bonus, profit sharing, 401K, vacation days, sick days, insurance, etc.) will be as outlined in the company handbook.

The Board of Directors will determine compensation for "additional duties" performed by family members.

Family member compensation for those hired at upper level positions will be determined by the Board of Directors.

### **Board of Directors Policy**

1. The Board will consist of up to 7 members
2. 5 to 6 family members
  - a. The Family Council will send notice and a Board Member Application to shareholding family members when a Board of Director position becomes

available. Interested family members must return the application form with an attached resume to a member of the Board of Directors.

- b. The BOD will determine the best family member (after interviews) for the position and recommend them to the shareholders for ratification. Representation from each family should be considered but not required.
  - c. The BOD will make a recommendation to the shareholders for ratification with 60% of the shareholder vote.
  - d. Same educational requirements as Upper-Level Positions for Family Board of Directors
  - e. Compensation for family Board Members not employed by the company as a salaried employee
    1. \$8000 Annual Retainer paid September 1<sup>st</sup> each year
    2. \$4000 annual amount split and paid out quarterly for meeting attendance
      - Board member should expect 8 or more board meetings per year
    3. Travel Expenses covered
  - f. Compensation for family Board Members working as a salaried employee in the company
    1. \$5000 Annual Retainer paid September 1<sup>st</sup> each year
    2. \$4,000 annual amount split and paid out during the 24 pay periods of the company for meeting attendance
  - g. If a family Board Member will be absent for a long period of time (up to 3 years)
    1. The Board chooses a temporary Board Member to fill the vacated seat's remaining term using the process outlined above.
    2. The temporary Board Member is held to the same rules, regulation and pay as outlined in this policy.
    3. The absent member may resume their Board position upon return.
3. 1 to 2 Non family members
- a. A Nominating & Selection Committee of (2 from Family Council, 2 from Business Growth, and the Board of Directors) will recruit and determine these positions
  - b. The Nomination and Selection Committee will make a recommendation to the shareholders for ratification with 60% of the shareholder vote
  - c. Compensation
    - \$8000 Annual Retainer
    - \$500 for each meeting attended
    - Travel expenses covered

#### 4. Board Terms and Regulations

- a. All Family Board of Directors are Voting Members
- b. Terms
  - Three-year terms
  - Terms will stagger
  - Terms expire on August 30
  - No limit to the number of terms a Board of Director can serve
  - Cannot serve past their 75<sup>th</sup> birthday
- c. Board Members can be terminated at any time with a unanimous vote from the other Board of Directors.
- d. The fifth Family Board Member began September 1, 2008.

## Annual XXXX Family Assembly

In order for a family business to be successful it needs to have knowledgeable family members who are willing and able to become employees of the business, be responsible owners and board members, and are capable of contributing to the business sustainability through the generations.

To achieve family and business sustainability the Family Council has developed an educational program that will be geared toward the appropriate age group of each family member.

### Family Curriculum Topics

**Family History** – to heighten interest and pride in the history and values of the family

**(Company)/Retail** – deeper understanding of how the (Company) is operated, role of current family members and key team members.

**Hotel/Hospitality** – deeper understanding of how the Hotels are operated, role of current family members and key employees.

**Wealth Management** – teach useful skills so that each family member can make informed financial decisions (business & personal)

<b>Family History</b>	<b>(Company)/Retail</b>	<b>Hotels/Hospitality</b>	<b>Wealth Management</b>
XXXX Family	Advertising/Marketing	Advertising	Financial Terms
	Interior Design	Food Service	How to Read a Financial Statement
	Sales	House Keeping	Assets vs. Liabilities
Vision and Values	Inventory	Front Desk Skills	Asset Valuation and Discounts
History	Purchasing	Yield Management	Heart or Wallet?
Legacy	HR	ADR	Ethics of Ownership
Innovation and Success	Customer Service	Upkeep	Financial Planning: Investments and Life Cycles

Branches	Products	Computer Info Systems	Estate Planning
Who's Who?	Structure Chart	HR	Trusts and Wills
Who's You?	Delivery	Customer Servicer	Prenuptial Agreements
	Distribution	Product	Borrow or Redeem?
	Financing	Structure Chart	Managing Capital Purchases (i.e., a house)
	Retail/Finance Co.		Philanthropy

This family curriculum will be addressed on a 4-year cycle.

At each Family Assembly family members will be separated into 3 groups:

1. Ages 8-11
2. Ages 12-18 –
3. Ages 19+

## Family Internship Policy

To provide valuable work experience to the family member and a way for the company to recruit future leaders.

**For Whom:** Any interested family member who has completed their Junior year of college. College degree must be related to their desired internship.

**Qualifications:** A family member desiring to intern must provide a resume to the Board of Directors. An interview will be necessary.

**Who to Contact:** Family members interested in interning should contact a member of the Board of Directors. The Board of Directors may also recruit family members to work an internship.

**Length of Internship:** At least 10 weeks but no more than 15 weeks. Only one internship allowed per individual unless permitted by the Board of Directors.

**Duties:** Interns will be assigned a mentor (most likely a team leader or manager in the business) by the Board of Directors. Clear expectations, duties and final evaluations will be made by the mentor.

**Pay:** Pay will be determined by the Board of Directors.

### Ideas for Internships can include

- Management
- Marketing
- Advertising
- Finance

- Interior Design
- Operations
- Accounting
- IT
- Warehousing/Distribution
- Sales
- Business Development
- Inventory Control
- HR
- Customer Service
- Food and Beverage Management
- Many more-Could be a combination of several areas
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**Evaluation:** Each intern will be evaluated on his/her performance and will also have an opportunity to evaluate the quality of the internship provided by the company

## **Umbrella/Insurance Policy**

Each shareholder will be reimbursed \$300.00 each year for umbrella insurance (\$2 million minimum) plus additional insurance premiums. Proof of a \$2 million umbrella policy must be submitted to the Family LLC managers. The reimbursement will be made by the shareholders Family LLC.

The BOD and Family Council recommend each family member maintain as much insurance coverage in all areas as possible.

The reimbursement can be used for increases in home and auto insurance as long as the \$2 million policy is met.

## **Family Estate Planning Policy**

Each shareholder will have the opportunity to receive estate planning services at the expense of (our company) within one year from the date of marriage.

Estate planning modifications or additions will not be paid by (our company) beginning 2010.

## **Business and Personal Travel for Family**

- **Travel Expenses (effective 2003)** – On business trips all expenses for the brothers and their spouses will be paid for by the business. If other family members attend, are working in the business, and attend because of that, their expenses will also be fully reimbursed. Other family members that attend will do so at their own expense, unless approved by the Board of Directors and it is deemed beneficial to the business for them to attend.
- **Incentive trips** – Occasionally trips become available through the business. All trips taken by a family member must be approved by a member of the Board of Directors.
- **Frequent flyer miles**- Miles accrued through business purchases are the property of the business and the use of those miles for personal use must be approved by one of the brothers.

## **Family Discount Plan and Item Use**

Family Discounts are a privilege not a right and should be treated as such. We are grateful. If any family member abuses the Family Discounts they will lose all discount privileges until allowed by the Family Council.

If family member were to sell his or her entire share in either business they would no longer get the family ownership discount for that business and would revert to regular Friends and Family Pricing.