Sample Family Constitution

Vision

To grow and always make beneficial differences in the relationships we have, the businesses we are involved in, the investments we make, and the communities to which we belong.

Mission

Love and respect are our drivers, and the well-being of each other and everything around us is our focus. We succeed not for ourselves, but for what we can contribute to society through our success.

Ultimately, we act with intention to help tomorrow be better than today.

In order to grow the health and well-being of our family, associates, companies, and communities we are guided by:

Integrity, Responsibility, Compassion, Forgiveness, and Compromise

Values and Foundational Beliefs

- Love and respect are primary and powerful.
- We are honest and fair—our way is one in which everyone wins.
- Do what we say we will do—we will be people of our word.
- Clear communication is paramount in all relationships.
- Recognize good will—always assume best intent.
- Keep egos healthy and humble.
- Practice financial discipline.
- Give everyone a voice—the opportunity to be heard.
- Life is abundant and finite—enjoy it and have fun together.
- Work deliberately—enjoy it.
- Money is a by-product—not the purpose.
- View the world with optimistic realism and curiosity—grow together through intelligent entrepreneurial risk taking.
- Do the right things right and always share the proceeds and/or privileges with others.

Goals

The goal of this constitution is to guarantee the longevity of our family's harmony and entrepreneurial spirit.

The goals of the Family Council are to grow family, business, and community assets. While "assets" in this case are loosely defined, with some more tangible than others, they are best summarized as follows:

Family—We strive to foster an environment in which all the owning families and their members are closely tied through love, respect, and friendship. The extended family[1] will use its personal assets to secure family members' basic needs of comfortable shelter, food, and health, and advance family member education.

Business—We strive to foster a family environment based on our family's foundational values in all of the businesses in which we are involved. We grow businesses, never satisfied with the status quo. We grow not with financial gain as the primary goal, but as an outcome of successful work completed. Our primary goal is to invest in our communities and make them better by providing jobs in fun and rewarding working environments. Our extended family will use its business assets to promote the entrepreneurial drive of family members and those entrusted to manage family assets. We will do so with a healthy appetite for risk in embracing change within existing entities and the nurturing and development of new ideas and ventures pursuant to the execution of the family vision.

Community—While we strive to improve our communities through our professional activities, we also strive to redeploy proceeds through philanthropy, which enables us to touch more of our community than we are able to do with business alone.

Family Meetings

In order to accomplish the aforementioned goals, the Family Council and family members will meet regularly. The Family Council has two mandatory meetings with a third full family meeting being optional.

Business Meeting—This meeting is mandatory[2] for all Family Council Directors and is optional for Family Council Contributing Observers. The primary purpose of this meeting is to discuss family business matters and may be attended solely by Family Council Members. During this meeting we will discuss strategy and receive updates on current family holdings and assets. Updates will be regarding the previous year, current work being completed, and projections for the following year in all business matters including, but not limited to, industrial, real estate, and financial investments.

[1]The extended family, in the context of this document, is used to identify all family members who do not serve as Directors or Observers on the Family Council.

[2]Family Council Directors should make a reasonable effort to be present in person. If extenuating circumstances make this impossible, they should make a reasonable effort to join via audio/visual technology. In the case of an emergency, the Chairperson should be contacted and informed of the Family Council Director's coming excused absence.

Family Togetherness Meeting—This meeting is akin to a family reunion. Extended family is invited, and we celebrate our relationships and shared Vision, Mission, and Values and Beliefs. This is more of a social meeting where we might have the Family Council address the family to remind us of our "raison d'être" but, in general, business will not be discussed.

Philanthropy Meeting—As the holiday season approaches, we discuss our philanthropic efforts over the past year, our current giving strategy, and our future strategy and goals. This meeting is mandatory[3] for Family Council Directors and optional for Contributing Observers.

Family Council

The Family Council is the governing body of the Family Companies. The first Directors of which shall consist of the Family Companies' first generation, their children (the second generation), and an outside council member who is familiar with the family and their businesses.

Spouses of the second generation shall be invited to contribute as Contributing Observers subject to the unanimous approval of the Family Council Directors.

As long as a majority of shares/units is held in Trust for the second generation, the direct line family member represents the Trust. As an alternative, each such family member may choose to be represented by one or the other of the Trust's trustees.

Eventually, a second outside council member shall be elected. Neutral and independent opinions, questions, and advice help find more objective solutions to challenges, remove the danger of unhealthy emotional decision making processes, and help keep egos in check.

Expectations and Requirements

Family Council Members (Directors and Contributing Observers) have an advisory function. As such, a Family Council Member is analytical in his/her assessment of the challenges, opportunities, and happenings in and of the family holdings and companies. It is expected that each Family Council Member express his/her opinion clearly, succinctly and honestly, guided by his/her respective skills, and talents.

Over time, all Council Members are to be educated on what the duties and responsibilities of an advisor at that level are, be it through experience and/or formal continuing education.

To be a Family Council Member, it is particularly important to understand and live our value statement and to promote our mission, more so than to have the "technical" skills required of board members serving purely operating company boards. However, all Family Council Members should at minimum have enough technical business skills to be able to make informed decisions regarding the Family Companies' current and projected positions.

[3]Family Council Directors should make a reasonable effort to be present in person. If extenuating circumstances make this impossible, they should make a reasonable effort to join via audio/visual technology. In the case of an emergency, the Chairperson should be contacted and informed of the Family Council Director's coming excused absence.

To represent the Family Council on other, purely operating company boards, it is particularly important to understand the happenings and intricacies of the business of the respective companies, in addition to making sure that our family values are respected and followed. Therefore, a requirement to become a full board member of purely operating companies is to have a minimum of an intermediate knowledge, understanding, and practice in the matters of how a business functions. In addition, it is important to have good financial knowledge, experience, and education, both from a financial analysis as well as from a financial strategy standpoint. To become more proficient in those subjects and for those members who have not had a formal education in business, we will help in acquiring the needed knowledge through continuing education efforts such as classes, seminars, and outside coaching.

It should be a goal that within five years of becoming a Family Council Member, all members, if they so desire, become proficient enough in the aforementioned fields of expertise to be able and comfortable to represent the Family Council on any of our companies' boards. In fact, it is our family's intent to have strong representation proportionate to the family's equity position on all boards.

Compensation[4]

Directors receive compensation for their time and contributions as follows:

- A yearly board fee will be paid quarterly.
- If or when appointed to a board committee an, additional yearly fee will be paid quarterly.

Future Council Members

In order to be a Family Council Director, a candidate must be a lineal descendent of the aforementioned first generation (or an agreed upon representative thereof). In addition, the candidate must be no less than twenty-five years of age and must have been a Contributing Observer on the board for a minimum of two years prior to candidacy.

In order to be a Contributing Observer of the closed Family Council Meetings, a candidate must be a minimum of sixteen years old and have been unanimously approved by the then-current Family Council Members.

[4]Compensation is for attendance and participation in both mandatory meetings and successful completion of resulting work. In the case of an unexcused absence, 50 percent of compensation shall be paid. In the case of two unexcused absences in the same year, the Family Council Member shall not be compensated.

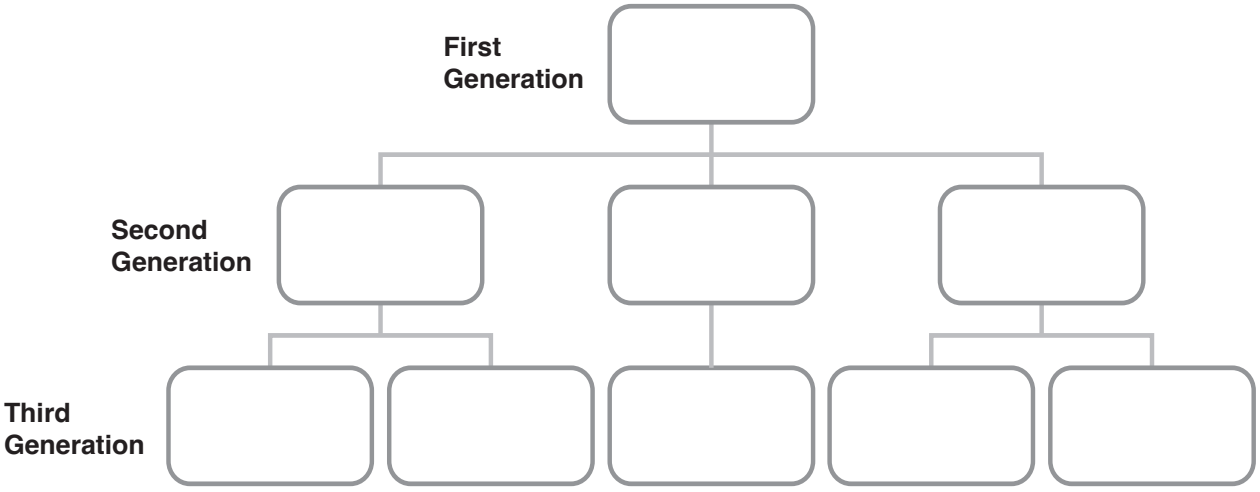
Family Council Leadership

The Family Council Leadership positions shall consist of a Chairperson, Vice Chairperson, and Secretary. The officers are to be elected by the Family Companies' shareholders for three-year terms with no term limits. Candidates shall present themselves to the Family Council during the Philanthropy Meeting of the third year of an officer's term, upon which the Family Council will distribute candidate names to all shareholders and collect their votes. Officers will be sworn in during the Business Meeting of the Family Council. Only Family Council Directors are eligible to be officers and must have been a Director for a minimum of five years prior to being elected. What's more, an officer must have a minimum of three years' experience as a director or observer on other boards in order to qualify to be an officer.

If the Chairperson is unable to serve for any reason, the Vice Chairperson shall serve in their stead. If the Chairperson is permanently unable to serve, the Vice Chairperson shall become Chairperson for the remainder of the previous Chairperson's term and a new Vice Chairperson shall be elected.

Family Members

Include a family tree that shows the generations.



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Code of Conduct

Family is an estate's and company's greatest asset; it is also its greatest liability.

A family on good terms is something wonderful. A family on bad terms can spell disaster for family members, an estate, or a company. A well-thought- out Governance and Constitution helps prevent conflict and guides the family members in the support they can provide to the estate in order to achieve its fullest potential.[5]

A Code of Conduct reflects the key behavioral requirements that guide the family members on their quest to be stewards of the family's values outlined in this Constitution. A Code of Conduct also helps the family find a constructive balance in how to get the best results out of family meetings or discussions among family members on issues of the estate and other family holdings.

Our Code

- We live by our Constitution's Vision, Mission, and Values and Foundational Beliefs.
- We accept and recognize each other's spouses as important members of our family.
- We trust each other and treat each other with respect.
- We preserve our family's confidentiality.
- We accept our differences and consider our inputs without discrimination.
- We listen actively and genuinely.
- We speak well and constructively of each other.
- We are cognizant of the effects our words and actions may have on others.
- We seek balance in our words and actions.
- We respect, in case of conflict, the Conflict Resolution clause of our Constitution.
- We turn conflicts into opportunities.
- We are open to change.
- We are open, honest, and fair with each other and strive for equality in all regards.
- We help each other and show compassion and understanding in times of difficulties.

[5]Based on an interview with Dr. Rheinhard Zinkann, CEO of Miele.

Conflict Resolution

Our mutual interests will be best served by seeking fair and equitable resolution of any conflicts as may develop on a timely basis. Our shared values and code of conduct are reference points for our conduct as we resolve conflicts in accordance with the agreed-upon process:

Effective communication and listening will be our first resources in resolving a conflict among family members. A family member who has a conflict with any other family member will promptly notify such other family member of the general nature of the conflict. The family members will promptly seek agreement on a mutually acceptable time and place conducive to private, constructive communication and understanding regarding the specific nature and their relative perspectives regarding the conflict. The family members will begin discussing the conflict at the scheduled time and place and continue their discussion if a resolution appears to be reasonably achievable. If resolution is not achieved during their first discussion, the family members will agree on mutually acceptable time(s) and place(s) to continue their discussion of the conflict with the goal of resolution. Conflict resolution through family member discussions will be deemed to occur when the family members are able to expressly agree with each other that the conflict has been resolved, including any agreed action to be taken and by whom.

If the family members have not resolved a conflict within thirty days after notification of the conflict or earlier agree that they will be unable to resolve the conflict through discussions, each party will notify an independent non-family Council Member of the conflict, stating only the general nature of the conflict. The independent non-family Council Member will appoint a person or persons[6] deemed qualified to facilitate an amicable resolution of the conflict by mediation through individual and collective meetings with the family members. The appointment of mediator(s) will be at the discretion of the independent non-family Council Member after consideration of the nature of the dispute, the perspectives of the respective family members in conflict, and assessment of preferred resources based on individual and collective discussions with the family members in conflict. If mediation does not succeed in resolving the conflict between the family members within sixty days and the conflict will be materially detrimental to the interests of the family and/or family-affiliated companies if remaining unresolved as determined by the Family Council exclusive of the family members in conflict, the conflict will be resolved through binding arbitration in accordance with the rules of the American Arbitration Association or comparable organization[7] selected by the Family Council exclusive of the family members who are involved in the dispute.

[6]Discretion will reside in the independent Council Member to appoint mediators since the nature of the mediation resources needed are unknown until the nature of the conflict and the family member perspectives have been determined. For instance, the mediator(s) may be other members of the Family Council or independent professional resources depending on the circumstances.

[7]Similarly, the nature of the association which may be called on for binding arbitration should remain flexible and within the discretion of the Board until applicable circumstances are understood.

Amending the Constitution

The Constitution is a relatively permanent document. It is a reference point and guideline for the actual conduct of the family in regard to its estate and other holdings.

Amendment of the Constitution may be considered at a special meeting of the Family Council scheduled for that purpose by the Chairperson at least thirty days after a prior Family Council Meeting at which the potential need for an amendment, including the specific nature thereof, was introduced and discussed with a majority of the members of the Family Council concurring that it was appropriate for the Family Council to consider and vote on such an amendment. The Constitution may be amended at any such special meeting by the approval of 70 percent of the Family Council members provided that notice was received by all members of the Family Council at least thirty days before the date of such special meetings which states the rationale, nature, and suggested text for the proposed amendment which will be discussed and voted upon at the special meeting.