

BYLAWS

OF

EASTERN SHORE ENTREPRENEURSHIP CENTER, INC.
(EIN 61-1465160)

ADOPTED

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Eastern Shore Entrepreneurship Center

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BYLAWS

OF

Eastern Shore Entrepreneurship Center

ARTICLE I -- NAME AND PURPOSES

Section 1. Name. The name of the Corporation shall be the Eastern Shore Entrepreneurship Center, hereafter referred to as the "Corporation."

Section 2. Purpose. The principal purpose of the Corporation is to stimulate and support entrepreneurship in Caroline, Dorchester, and Talbot Counties, (hereafter referred to as the "Region"). Said corporation is organized exclusively for charitable purposes, including making contributions to entities that qualify as exempt organizations under the section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. The primary focus of the Corporation is to facilitate the creation and support of businesses exhibiting significant growth potential and the capacity to substantially contribute to the social mission of improving the overall economic health of the Region.

- a. No part of the earnings of the corporation shall inure to the benefit of, or be distributable to its members, trustees, directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of section 501(c)(3) purposes. No substantial part of the activities of the corporation shall be carrying out propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.
- b. Notwithstanding any other provision in these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Service Code (or the corresponding section of any future federal tax code. The name of the resident agent of the corporation in Maryland is Frederick Smyth, whose address is 5263 Bucktown Road, Cambridge Maryland, 21613 Easton.
- c. The corporation shall not be authorized to issue capital stock. Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Service Code (or the corresponding section of any future federal tax code), i.e. charitable, educational, religious or scientific, or shall be distributed to the federal government, or to a state or local government, for a public purpose.

- d. However, if the named recipient is not then in existence or no longer a qualified distributee, or unwilling or unable to accept the distribution, then the assets of this corporation shall be to a fund, foundation or corporation organized and operated exclusively for the purposes specified in section 501(c)(3) of the Internal Revenue Service Code (or the corresponding section of any future federal tax code).

Examples of objectives that will be pursued to address this mission are:

- a. The corporation will serve the community of Eastern Shore of Maryland and surrounding areas by providing training and technical assistance programs. Entrepreneurs will be assisted in their attempts to create new businesses through a variety of programs, seminars and discussion-oriented forums. Direct assistance will be provided to companies receiving financing through the Corporation's programs by the Corporation's staff or other associated groups providing capital. In addition, a community outreach initiative will attempt to reach tomorrow's entrepreneurs through programs directed toward the region's young adults.
- b. The corporation may own and maintain business incubator facilities, or provide incubator management services to non-Corporation owned facilities that are positioned to help develop small and start-up businesses.
- c. Financing opportunities will be made available through equity and equity-like capital sources offered through economic development venture capital funds, and an "angel network" program that will be facilitated by the Corporation. A venture capital fund may be operated as an internally maintained program, and/or the Corporation may assist in the development of other "for profit" venture capital funds.

ARTICLE II - MEMBERS

Section 1. Annual Meeting. The annual meeting of the members of the Corporation shall be held on a day duly designated by the Board of Directors in the month of July, for the purpose of electing directors to succeed those whose terms shall have expired as of the date of such annual meeting, and for the transaction of such other corporate business as may come before the meeting.

Section 2. Special Meetings. Special meetings of the members may be called at any time for any purpose or purposes by the Chairman of the Board, the President, by a Vice President, or by a majority of the Board of Directors, and shall be called forthwith by the Chairman of the Board, the President, by a Vice President, the Secretary or any director of the Corporation upon the request in writing of a majority of all the members entitled to vote on the business to be transacted at such meeting. Such request shall state the purpose or purposes of the meeting. Business transacted at all special meetings of members shall be confined to the purpose or purposes stated in the notice of the meeting.

Section 3. Place of Holding Meetings. All meetings of members shall be held at the principal office of the Corporation or elsewhere in the United States as designated by the Board of Directors.

Section 4. Notice of Meetings. Written notice of each meeting of the members shall be e mailed, or mailed postage prepaid by the Secretary, to each member of record entitled to vote thereat at his post office address, as it appears upon the books of the Corporation, at least ten (10) days before the meeting. Each such notice shall state the place, day, and hour at which the meeting is to be held and, in the case of any special meeting, shall state briefly the purpose or purposes thereof.

Section 5. Quorum. The presence in person or by proxy of five members of the Corporation shall constitute a quorum at all meetings of the members except as otherwise provided by law, by the Articles of Incorporation or by these By-Laws. If less than a quorum shall be in attendance at the time for which the meeting shall have been called, the meeting may be adjourned from time to time by a majority vote of the members present or represented, without any notice other than by announcement at the meeting, until a quorum shall attend. At any adjourned meeting at which a quorum shall attend, any business may be transacted which might have been transacted if the meeting had been held as originally called.

Section 6. Conduct of Meetings. Meetings of members shall be presided over by the President of the Corporation or, if he is not present, by a Vice President, or, if none of said officers is present, by a chairman to be elected at the meeting. The Secretary of the Corporation, or if he is not present, any Assistant Secretary shall act as secretary of such meetings; in the absence of the Secretary and any Assistant Secretary, the presiding officer may appoint a person to act as Secretary of the meeting.

Section 7. Voting. At all meetings of members, every member entitled to vote at the meeting shall have one (1) vote. Such vote may be either in person or by proxy appointed by an instrument in writing subscribed by such member(s) or his or her duly authorized attorney, bearing a date not more than three (3) months prior to said meeting, unless said instrument provides for a longer period. Such proxy shall be dated, but need not be sealed, witnessed or acknowledged. All elections shall be had and all questions shall be decided by a majority of the votes cast at a duly constituted meeting, except as otherwise provided by law, in the Articles of Incorporation or by these By-Laws.

If the chairman of the meeting shall so determine, a vote by ballot may be taken upon any election or matter, and the vote shall be so taken upon the request of ten percent (10%) or more of all of the members entitled to vote on such election or matter. In either of such events, the proxies and ballots shall be received and be taken in charge and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes, shall be decided by one or more tellers. Such teller(s) shall be appointed by the chairman of said meeting.

Section 8. Identity of Members. The members of the Corporation shall be composed of those members who shall have been appointed as such by a majority of the entire Board of

Directors; and shall retain their status as members so long as they adhere to any and all requirements for membership imposed by the Corporation upon its members.

Section 9. Directors as Members. The Board of Directors of the Corporation shall be members and when meeting as Directors may exercise the rights and powers of members if the Charter or these By-Laws do not provide for members of the Corporation or in fact the Corporation has no members.

ARTICLE III -- BOARD OF DIRECTORS

Section 1. Composition of the Board. The Board of Directors shall be composed of not less than five (5) and not more than fifteen (15) members, as determined by the Board. Additional non-voting Honorary Board Members may be elected from time to time as determined by the Board. The Board shall be composed in such a way that geographic representation is reasonably commensurate with the Corporation's service activity.

Section 2. Terms. The Directors shall be elected to serve two (2) year terms. There is no limit on the number of consecutive terms that Directors may serve. In the event of the death, resignation, retirement, removal or disqualification of a Director during the elected term of office, the Director's successor shall be elected to serve until the expiration of the term of the predecessor. While Directors shall hold over until their successors are elected, the elected successor's two year term shall run from the date that the successor should have been elected in the absence of holding over. Accordingly, the terms of Directors shall begin and end on the same date, and shall not be staggered.

Section 3. Election of Directors. Directors shall be elected at any annual or special meeting of the Board of Directors by a vote of a majority of the Directors present at the meeting. The election of the Directors shall be a part of business of each annual meeting of the Board of Directors. Nominations may be made by any Board Member, and must be presented to the Board prior to the time of election.

Section 4. Removal. The Directors, by the vote that would be required to elect the Director to the Board, may remove Directors from office at any time, with or without cause. If a Director is removed, a new Director may be elected to fill the vacancy at the same meeting.

Section 5. Resignation. A Director may resign at any time by communicating such resignation to the Board of Directors, its presiding officer or to the Corporation. The resignation is effective when communicated unless the notice specifies a later effective date or subsequent event upon which it will be effective.

Section 6. Vacancies. A vacancy occurring in the Board of Directors may be filled by a majority of the remaining Directors at any regular meeting or special meeting of the Board.

Section 7. General Powers. The affairs of the Corporation shall be managed by the Board of Directors (BOD) in accordance with the provisions of applicable law, the Articles of Incorporation, and these Bylaws. Any financing program will also have a separate and distinct

Fund Advisory board that will be responsible for overseeing general issues relating to each program, whose information will be relayed to the Corporation's BOD, though neither group will be responsible for making specific investment decisions. These decisions will be made by in house staff or by a contracted third party Fund Manager.

Section 8. Interest Policy. Any director, officer, or key employee who has an interest in a contract or other transaction presented to the Board or a committee thereof for authorization, approval, or ratification shall make a prompt and full disclosure of his interest to the Board or committee prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction which might reasonably be construed to be adverse to the corporation's interest. The Board shall take such steps as are necessary to ensure the undertaking any such transaction would not disqualify the Corporation from its tax exempt status.

The body to which such disclosure is made shall thereupon determine, by a vote of seventy-five percent (75%) of the votes entitled to vote, whether the disclosure shows that a conflict of interest exists or can reasonably be construed to exist. If a conflict is deemed to exist, such person shall not vote on, nor use his personal influence on, nor participate (other than to present factual information or to respond to questions) in, the discussions or deliberations with respect to such contract or transaction. Such person may be counted in: determining whether a quorum is present but may not be counted when the Board of Directors or a committee of the Board takes action on the: transaction. The minutes of the meeting shall reflect the disclosure made, the vote thereon, the abstention from voting and participation, and whether a quorum was present.

ARTICLE IV -- MEETINGS OF DIRECTORS

Section 1. Annual Meeting. The annual meeting of the Board of Directors shall be held in the month of July of each year, for the purpose of electing Directors and Officers of the Corporation and the transaction of such other business as may be properly brought before the meeting. If the annual meeting is not held as designated by these bylaws, a substitute annual meeting may be scheduled by the Board of Directors and such meeting shall be designated and treated for all purposes as the annual meeting.

Section 2. Regular Meetings. Meetings of the Board of Directors shall be held quarterly at such time and place as may be determined by the Board, or through email but may be changed for reasons approved by the President. A regular meeting may be suspended if a quorum is not anticipated.

Section 3. Special Meetings. Special meetings of the Board of Directors may be called at the request of the President or any two Directors.

Section 4. Notice of Meetings. Notice of the place, day and hour of every regular and special meeting shall be given to each Director, either-

1. By notice in writing mailed to him postage prepaid not later than two (2) days before the day set for the meeting and addressed to him at his/her last known post office address according to the records of the Corporation; or

2. By telephone, fax, or e-mail at least two (2) days before the time and place set for the meeting.

Section 5. Quorum. Five (5) voting Board Members at a meeting shall constitute a quorum for the transaction of business at a meeting of the Board of Directors.

Section 6. Voting. At all meetings of Directors, every Director entitled to vote at the meeting shall have one (1) vote. Such vote may be either in person or by proxy appointed by an instrument in writing subscribed by such Directors or his or her duly authorized attorney, bearing a date not more than three (3) months prior to said meeting, unless said instrument provides for a longer period. Such proxy shall be dated, but need not be sealed, witnessed or acknowledged. All elections shall be had and all questions shall be decided by a majority of the votes cast at a duly constituted meeting, except as otherwise provided by law, in the Articles of Incorporation or by these By-Laws.

If the chairman of the meeting shall so determine, a vote by ballot may be taken upon any election or matter, and the vote shall be so taken upon the request of ten percent (10%) or more of all of the Directors entitled to vote on such election or matter. In either of such events, the proxies and ballots shall be received and be taken in charge and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes, shall be decided by one or more tellers. Such teller(s) shall be appointed by the chairman of said meeting.

Section 7. Manner of Acting. Except as otherwise provided by law or in the bylaws, the act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 8. Action Without Meeting. The Board may vote on issues outside the context of a meeting by means of telephone, e-mail, or other communication facilitated by the Executive Director.

Action taken by at least five (5) of the Directors or members of a committee without a meeting is nevertheless Board or committee action if written consent to the action in question is signed by original or facsimile by all of the Directors or members of the committee, as the case may be, and filed with the minutes of the proceedings of the Board or committee, whether done before or after the action is taken.

Section 9. Electronic Communication. Any meeting or vote utilizing electronic communication (e-mail, conference telephone, video conferencing, etc.) shall be deemed valid so long as original or facsimile signatures are thereafter placed among the minutes of the Board..

ARTICLE V -- OFFICERS

Section 1. Titles. The Officers of the Corporation shall be a President, a Vice-President, a Treasurer and a Secretary, and those Officers shall act and perform duties inherent to the elected position. The Board of Directors may choose to also elect a Chairman of the Board of Directors.

Section 2. Election and Term. The Officers of the Corporation shall be elected by the Board of Directors at the annual meeting. Each officer shall serve for a term of one (1) year. Up to two (2) consecutive terms may be served in the President and Vice-President position; other Officer positions may be consecutively served for an indefinite period of time.

Section 3. President. The President shall serve as the chief elected officer of the Corporation and, subject to the control of the Board of Directors, shall supervise and control the management of the Corporation in accordance with these bylaws. The President shall preside at meetings of the Board of Directors and Executive Committee Meetings. The President shall sign, with any other proper officer, instruments which may be lawfully executed on behalf of the Corporation, except where required or permitted by law to be otherwise signed and executed, and except where the signing and execution shall be delegated by the Board of Directors to some other officer or agent. In general, the President shall perform all duties incident to the office of the President and such other duties as may be assigned by the Board of Directors from time to time.

Section 4. Vice President. The Vice President shall exercise the powers of the President during that officer's absence or inability to act. Any action taken by a Vice President in the performance of the duties of the President shall be presumptive evidence of the absence or inability to act of the President at the time the action was taken. The Vice President shall have such other powers and perform such other duties as may be assigned by the Board of Directors.

Section 5. Treasurer. The Treasurer shall be responsible for the safeguarding of all funds received by the Corporation and for their proper disbursement. Such funds shall be kept on deposit in financial institutions, or invested in a manner approved by the Board of Directors. Checks are to be signed by the Treasurer and the Executive Director.

Section 6. Secretary. The Secretary shall sign such instruments as may require the signature of the Secretary and in general shall perform all the duties incident to the office of Secretary and such other duties as may be assigned from time to time by the President or the Board of Directors.

Section 7. Chairman of the Board of Directors. The Chairman of the Board of Directors, if such officer is elected, shall be a voting or non-voting position of organizational leadership and community presence.

Section 8. Executive Committee. The Executive Committee shall meet regularly on a monthly basis, and shall be composed of the President, Vice President, Treasurer, Secretary, and the Executive Director. Other Directors may participate as determined by the Executive

Committee. The Executive Committee is charged with oversight of the role of the Executive Director.

Section 9. Executive Director. The role of Executive Director shall be the chief administrative and executive officer in carrying out the mission of the Board. The role of Executive Director shall cause to be prepared notices, agendas and minutes of the meetings of the Board. The role of Executive Director shall be a non-voting member of the Board of Directors, and the Executive Committee and all Committees.

ARTICLE VI -- COMMITTEES

Section 1. Standing or Other Committees. Standing or other committees having two or more members may be designated by a resolution adopted by a majority of the number of Directors then in office. Vacancies in the membership of such committees shall be filled by appointment made in the same manner as provided in the case of the original appointment.

Section 2. Committee Authority. No Committees of the Board (including the Executive committee) shall be authorized to take the following actions:

- A) Authorize distributions to or for the benefit of the Directors or Officers;
- B) Approve dissolution, merger or the sale, pledge, or transfer of all or substantially all of the Corporation's assets;
- C) Elect, appoint or remove Directors, or fill vacancies on the Board of Directors or on any of its committees, or
- D) Adopt, amend, or repeal the Articles of Incorporation or bylaws.

ARTICLE VII - INDEMNIFICATION

Section 1. Definitions. As used in this Article VII, any word or words that are defined in Section 2-418 of the Corporations and Associations Article of the Annotated Code of Maryland, as amended from time to time, (the "Indemnification Section") shall have the same meaning as provided in the Indemnification Section.

Section 2. Indemnification of Directors and Officers. The Corporation shall indemnify and advance expenses to a director or officer of the Corporation in connection with a proceeding to the fullest extent permitted by and in accordance with the Indemnification Section.

Section 3. Indemnification of Employees and Agents. With respect to an employee or agent, other than a director or officer, of the Corporation, the Corporation may, as determined by the Board of Directors of the Corporation, indemnify and advance expenses to such employee or agent in connection with a proceeding to the extent permitted by and in accordance with the Indemnification Section.

ARTICLE VIII -- GENERAL PROVISIONS

Section 1. Seal. The Seal of the Corporation shall bear the name of the Corporation and the letters "Maryland."

Section 2. Waiver of Notice. A Director or other person entitled to receive a notice required to be given under the provisions of these bylaws, the Articles of Incorporation or by applicable law, may waive such notice by signing a written waiver, whether before or after the date and time stated in the notice. The waiver shall be filed with the minutes or corporate records. A Director's attendance at or participation in a meeting waives any required notice to that Director of the meeting unless the Director at the beginning of the meeting (or promptly upon arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 3. Checks. All checks, drafts or order for payment of money shall be signed by the Executive Director or the Treasurer or other individuals that the Board of Directors may from time to time designate. Any payment over \$250 must be approved by the Treasurer, or other Officer if the Treasurer is not available.

Section 4. Bond. The Board of Directors may by resolution require any or all Officers, agents or employees of the Corporation to give bond to the Corporation, with sufficient sureties, conditioned upon the faithful performance of the duties of their offices or positions, and to comply with such other conditions as may from time to time be required by the Board.

Section 5. Loans. No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by at least five (5) Directors. Such authority may be general or confined to specific instances.

Section 6. Fiscal Year. The fiscal year of the Corporation shall be the twelve-month period ending June 30 of each year.

Section 7. Amendments. These Bylaws may be amended or repealed and new Bylaws may be adopted by the affirmative vote of the Board of Directors at any meeting of the Board; provided, that notice of the meeting shall have been given which states that the purpose or one of the purposes of the meeting is to consider a proposed amendment to the Bylaws and includes a copy or summary of the proposed amendment or states the general nature of the amendment. Such notice may be waived as provided in these Bylaws.