

BY-LAWS AND RULES OF PROCEDURE
OF
SUBURBAN MOBILITY AUTHORITY for REGIONAL TRANSPORTATION

Approved April 29, 2008

PREAMBLE

This public body corporate, having been created by the Metropolitan Transportation Act of 1967, P.A. 204, Public Acts of the State of Michigan, as Amended (“The Act”) is named Suburban Mobility Authority for Regional Transportation and pursuant to Section 6 (a) of the Act, power is granted to the Board of Directors of the Authority (The Board) to make such rules and By-Laws for its government as it may deem appropriate, not inconsistent with the Act creating the Authority.

ARTICLE I

OFFICES

Section 1. Office. The principal office of the Authority shall be at such place in the area under the jurisdiction of the Authority as shall be designated by the Board from time to time.

ARTICLE II

BOARD OF DIRECTORS

Section 1. General Powers. The property affairs and business of the Authority shall be managed by the Board to the extent of the powers and authority delegated to the Board by the Act. No person shall be entitled to exercise a proxy vote for any Board Member.

Section 2. Number Tenure and Qualifications. The Authority shall be governed by a Board consisting of seven (7) Members. The appointment, qualification and terms of office of Board Members shall be as provided in Section 10(2) of Act 204, P.A. 1967 as amended.

Section 3. Regular Meetings. Regular meetings of the Board shall be held a minimum of quarterly at such times and places as shall be designated from time to time by standing resolution of the Board. In all respects, each shall be identical in format. At such meetings the Board may transact such business as may be brought before the meeting. The annual Meeting will be held in the month of October.

Section 4. Order of Business. Conduct of a Regular or Special Meeting shall require the following Order of Business:

- (1) Call to Order by Chairperson
- (2) Roll call to determine quorum
- (3) Adoption of agenda
- (4) Certification of public notice

- (5) Action on minutes of prior Regular and/or Special Board Meetings.
 - (A) Receipt of minutes and reports of standing and/or ad hoc committee meetings
 - (B) Proposed Business
- (6) Public participation as requested through the Chairperson
- (7) Chairperson's Report
- (8) General Manager's Report (Informational Items Only)
- (9) Financial Report
- (10) Unfinished Business
- (11) New Business
- (12) Special Reports
- (13) Member Business
- (14) Adjournment

Section 5. Agenda Materials. Preparation of the Agenda Materials for Annual, Regular and Special Board Meetings shall be the responsibility of the General Manager with consultation of the Chairperson.

Section 6. Special Meetings. A Special Meeting of the Board may be called at any time by the Chairperson at his/her discretion. A Special Meeting shall also be called by the Chairperson after having received a written request by four Members of the Board. Within 48 hours of receipt of written request by four Members of the Board the Chairperson shall schedule the Special Meeting within 10 calendar days from the date of

receipt of the fourth written request. Notice of Special Meetings stating the purpose shall be given to each Member of the Board not less than 48 hours prior to the day named for the meeting either by mail, e-mail or orally, provided that, if said notice is given orally it shall be confirmed by sending a copy thereof through the mail or by e-mail, charges prepaid to the address supplied by the Members of the Board to the Authority for the purposes of notice. A written notice shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with e-mail receipt for transmission to each person.

Section 7. Public Notice of Regular or Special Meetings. The Board shall hold all Regular Public Meetings at specified times and places, of which notice shall be given. Public Notice of the Schedule or Regular Meetings for the following fiscal year shall be posted within 10 days after the first regular meeting for each fiscal year and shall show the regular dates and times for meetings and the place at which meetings are held. Public Notice of each Special (or of each rescheduled Regular or Special Meeting) shall be posted at least 18 hours before the meeting giving the date time and place of each meeting. If there is a change in the schedule of Regular Meetings of the Board, a Public Notice stating the new dates, times and places shall be posted within three days, after the meeting at which the change is made. Any meeting which is recessed for more than 36 hours shall be reconvened only after Public Notice has been posted at least 18 hours before the reconvened meeting. Public Notice shall be posted prominently at the Principal Office of the Authority or at the Public Building in which the meeting is to be held and on the Authority's web site. 1./ Upon written request of an individual,

organization, firm or corporation the Board Secretary shall send to the requesting party, by first class mail an advance copy of the notice for a Regular or Special Meeting of the Board. 2./ The Board Secretary shall supply on request copies of the public Notice of any Regular or Special Meetings thereof to any radio or television station in the state.

Section 8. Minutes of Regular and Special Meetings. The Board Secretary shall keep minutes of each Regular and Special Meeting of the Board showing the date, time, place, members present, members absent and any decision made at the meeting. The minutes shall be public records open to public inspection and shall be available at the principal office of the Authority. Copies of the minutes shall be available to the public. Proposed minutes shall be available for public inspection not later than eight business days after the meeting to which the minutes refer. Approved minutes shall be available for public inspection not later than 5 business days after the meeting at which the minutes are approved by the Board. 3./

Section 9. Executive Sessions of the Board. The Board may meet in closed sessions only for the following purposes. 4./

- (a) To consider the dismissal, suspension, or disciplining of, or to hear complaints or charges brought against an employee, when the employee requests a closed hearing.
- (b) To discuss strategy and conduct negotiations for collective bargaining agreements.

- (c) To consider the purchase or lease of real property up to the time that an option to purchase or lease is obtained.
- (d) To consult with attorneys for the Authority regarding trial or settlement strategy in connection with specific pending litigation.
- (e) To review the specific contents of an application for employment when the candidate requests that the application remain confidential; however, all interviews for employment shall be held in an open meeting.
- (f) To consider material exempt from discussion or disclosure by state or federal statutes.

Closed sessions of the Board may be held as required to discuss matters under Sections 9 (a) and (b). In order to convene all other closed sessions, Sections 9 (c) through (f), the concurrence by roll call vote of two thirds of the members appointed and serving shall be required. This vote shall be taken at a Regular or Special Meeting of the Board in advance of the proposed Executive Session.

For all closed sessions a separate set of minutes shall be maintained by the Board Secretary.

Section 10. Quorum. At least one (1) member of the Board from each of Macomb, Oakland and Wayne County and at least four (4) members of the Board in total shall be necessary to constitute a quorum for a meeting. 5.

Section 11. Voting. All official action by the Board shall be taken in public session and shall be by resolution. The affirmative vote of at least one (1) member of the Board from each of Macomb, Oakland and Wayne County for at least a majority of all members of the Board shall be necessary for the adoption of any resolution. All votes of the Board shall be taken and recorded by the Secretary. A roll call vote shall be taken when called for by any member of the Board.

Section 12. Vacancies. Any vacancy occurring among the members of the Board by reason or death, resignation, disqualification, incapacity to serve, removal from office in accordance with law, or otherwise, shall be filled in the manner provided for by Section 10 (2) of Act 204, P.A. 1967, as amended. No vacancies on the Board impair the power of the Board to transact any and all business of the Authority and perform all its duties as provided for by the Act.

Section 13. Compensation. In accordance with Act 204, P.A. 1967, as amended, each member of the Board shall receive reimbursement for expenses incurred in the discharge of his/her duties as a Board Member.

Section 14. Issue Policy Memoranda. The Board shall from time to time issue policy memoranda, the purpose of which is to maintain continuity, coherence, and consistency in the policies of the Board for the benefit of all Board members and for the guidance of the General Manager as Chief Executive Officer and staff.

ARTICLE III

OFFICE OF THE BOARD, GENERAL MANAGER

Section 1. General Manager. The Board shall appoint and employ a General Manager in accordance with Act 204, P.A. 1967, as amended. The General Manager shall have the power to appoint such officers, employees and agents as necessary to carry out the purposes of the Authority under the general policy direction of the Board. 6./

The General Manager shall designate a Secretary to the Board who shall record all the minutes of the meetings of the Board in a book or books to be kept for that purpose; shall see that notices of all meetings of the Board are given in accordance with law and these By-Laws; shall record all votes of the Board and shall insure that all records and reports are properly kept and filed by the Authority as required by law; shall be the custodian of the Seal of the Authority; and shall see that it is affixed to all documents to be executed on behalf of the Authority under its Seal.

Such officers (employee directors or department heads), employees or agents of the Authority shall not be officers of the Board.

Members of the Board, or persons related to any Board member shall not be an employee, officer or agent of the Authority.

Section 2. Officers of the Board. The officers of the Board shall be elected by the Board from among its members and shall be a Chairperson and a Vice-Chairperson.

Section 3. Term of Office. The Chairperson and Vice-Chairperson shall be elected by the Board at the Annual Meeting of the Board in the month of October for a term of one (1) year to expire at the Annual Meeting of the succeeding year. The offices of Chairperson and Vice-Chairperson shall not be held by persons residing in the same county, and shall rotate from one county to another with each successive election.

The Chairperson and Vice-Chairperson shall hold office until his/her Successor shall have been duly elected or until his/her earlier death, resignation, disqualification, incapacity to serve or removal in accordance with law.

The Chairperson of the Board, subject to the approval of the Board by resolution, shall appoint a nominating committee consisting of three (3) members of the Board who are not currently officers of the Board. The nominating committee shall select at least one nominee for each Board Officer and shall provide its recommendation to the Board at least one month prior to the Annual Meeting of the Board. At the Annual Meeting, the Chairperson shall entertain any further nominations from the floor prior to the election of officers.

Section 4. Vacancies. A vacancy due to death, disqualification, resignation, incapacity to serve or removal in accordance with law shall be filled in the same manner

as provided for in the first year's election described in Article III, Section 3 from among its members at a Regular or Special Board Meeting. Such elections shall be for the unexpired term of said office.

Section 5. Duties.

1. Chairperson of the Board.

The Chairperson of the Board shall have the following powers and duties:

- (a) He/she shall preside, when present, at all meetings of the Board and shall consult with the General Manager on the agenda for Regular and Special Board Meetings.
- (b) Except as otherwise provided in the By-Laws, the Chairperson shall not have any executive or administrative functions other than as a member of said Board, the Chairperson shall meet and advise the General Manager of the selection and periodic evaluation of the Board Secretary.
- (c) The Chairperson shall have the full right to propose and discuss motions and shall vote on all resolutions and motions but the Chairperson shall vacate the chair when participating in discussions or when proposing motions.
- (d) The Chairperson together with the General Manager shall sign, execute, and acknowledge in the name of the Authority all mortgages, bonds and other instruments of indebtedness except that the Board, by resolution, may authorize the Chairperson, the General Manager and the Director of

Finance to execute short-term promissory notes provided that two of the three authorized signatures appear on the short-term promissory note.

- (e) The Chairperson shall appoint members of committees in accordance with provisions of Article IV, Section 1, with the concurrence of the Board.
- (f) The Chairperson shall be a member ex-officio of all committees.
- (g) The Chairperson shall perform all such other duties as from time to time shall be assigned by the Board.

2. Vice-Chairperson.

In the absence or disability of the Chairperson, the Vice-Chairperson shall perform all the duties of the Chairperson, and when so acting, shall have all the powers of, and be subject to all the restrictions upon the Chairperson. Further, the Vice-Chairperson shall perform such other duties as from time to time may be assigned to them by the Board.

Section 6. Conflicts of Interest.

Individual SMART Board Members shall disclose any potential conflict of interest to the SMART Board of Directors. The SMART Board of Directors shall then vote to determine whether the potential conflict of interest should be mitigated by the Director abstaining from the underlying vote, unless the Director voluntarily elects to abstain. A potential conflict of interest includes, but is not limited to, situations where:

- (1) the Board Member is the applicant;
- (2) the Board Member is a relative of the applicant by blood or marriage;

(3) the Board Member has a pecuniary interest with the applicant that would be affected by the application; and/or

(4) the Board Member, a relative, or a business associate of the Board Member could receive financial gain or benefit from the acceptance of the application.

Modeled after Act 196 PA 1973, attached hereto.

ARTICLE IV

AUDIT COMMITTEE AND AUDITS

Section 1. Responsibilities.

(A) The permanent audit committee (hereinafter the Committee), established by Article IV Section 1 shall be directly responsible for the preparation of informative, accurate and independent audit reports. The Committee shall also be responsible for the oversight of the work of the accounting firm employed (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing and issuing the annual audit report and/or related work, and each such public accounting firm shall report directly to the Committee. The Committee shall work with and direct SMART procurement staff in the selection, retention, and compensation of the audit firm.

(B) Each member of the Committee shall be member of the Board of Directors and shall otherwise be independent.

(1) Independent, for purposes of this section shall mean the Committee member may not, other than in his or her capacity as a member of the Committee, the Board of Directors, or any other Board Committee:

- (i) accept any consulting, advisory, or other compensatory fee from SMART; or
- (ii) be otherwise affiliated with either the Authority or the audit firm, provided however, that should such affiliation exist, the SMART Board of Directors may upon motion exempt from the requirements of this subparagraph (1) a particular relationship with respect to audit committee members as the Board determines appropriate in light of the circumstances.

(C) The Committee shall establish procedures for:

- (1) the receipt, retention, and treatment of complaints received by the Board regarding accounting, internal accounting controls, or auditing matters; and
- (2) the confidential, anonymous submission by employees of SMART of concerns regarding questionable accounting or auditing matters.

(D) The Committee shall have the authority with the advice and consent of the whole Board to engage independent counsel and other advisers, as it deems necessary to carry out its duties.

(E) The SMART Board shall assure the Authority's annual budget has provided for the appropriate funding for payment of compensation to the audit firm and any advisers employed by the Committee.

Section 2. Responsibility for Financial Reports.

(A) The Board of Directors shall require periodic reporting by the General Manager and Director of Finance (hereinafter “signing officers”), no less often than quarterly and periodic reporting by the audit firm no less often than annually. The General Manager and Director of Finance shall certify quarterly and the audit firm shall certify annually that;

(1) the signing officers and audit firm have reviewed the report;

(2) based on the signing officers and audit firm’s knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading;

(3) based on the signing officers and audit firm’s knowledge, the financial statements and any other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the Authority, and for the periods presented in the report. And, that such reports fully, fairly, accurately and in a timely manner comply with applicable governmental rules and regulations, including but without limiting, Generally Accepted Accounting Principles (GAAP);

(4) the signing officers;

(i) are responsible for establishing and maintaining internal controls;

(ii) have designed such internal controls to ensure that material information relating to the Authority is made known to such officers by others within the

Authority, particularly during the period in which the periodic reports are being prepared;

(iii) have evaluated the effectiveness of the Authority's internal controls as of a date within 90 days prior to the report; and

(iv) have presented in the report their conclusions about the effectiveness of their internal controls based on their evaluation as of that date;

(5) the signing officers have disclosed to the SMART Board, the audit committee and the audit firm the following;

(i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Authority's ability to record, process, summarize, and report financial data and have identified for the Board, audit committee and/or audit firm any material weaknesses in internal controls; and

(ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Authority's internal controls; and

(6) the signing officers have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Section 3. Improper Influence on Conduct of Audits.

(A) It shall be an offense, subject to discipline up to and including discharge or removal from the Board, as necessary and appropriate for any employee, member of the Board or anyone acting under the direction thereof, to take any action to fraudulently

influence, coerce, manipulate, or mislead any employee, accounting or audit firm engaged in the performance of an audit or other financial statements of the Authority for the purpose of rendering such financial information and statements materially misleading.

Section 4. Rules of Professional Responsibility for Staff, Directors and Officers.

(A) The Board of Directors shall direct the General Manager to promulgate a policy and procedure which shall be effective upon Board approval, by which all SMART employees are required to report material violations of this ARTICLE. The audit committee shall annually review said policy and shall make recommendations, if changes are proposed, to the Board of Directors for review and approval.

(B) The above referenced policy shall, at a minimum, require SMART staff to report evidence of a material violation or breach of fiduciary duty or similar violation by SMART staff, the audit firm, their agents or others, to the General Counsel and/or General Manager. Said policy shall also require that the General Counsel and/or General Manager respond to the evidence (adopting as necessary, appropriate remedial measures or sanctions with respect to the violation), and requiring the General Counsel and/or General Manager to report the evidence to the audit committee and/or the Board of Directors.

ARTICLE V

COMMITTEES

Committees provided for and named herein shall have roles advisory in nature and will in no instance be decision making bodies.

Section 1. Committees.

(A) Permanent Committees. The following permanent committee of the Board is hereby established:

1. Audit

Each committee shall be composed of at least three members of the Board. Each committee member and the Chairperson thereof shall be appointed for a term of one calendar year by the Chairperson of the Board.

Each committee established hereunder shall exist until these By-Laws are amended, changed, or altered. The Chairpersons shall report activities to the full Board according to the order of business specified above. The Chairperson of the Board shall be an ex-officio member of all permanent committees.

(B) Special Committees. Special committees shall be established from time to time as deemed necessary. Such committees shall consist of members of the Board and any other person as appointed by the Chairperson. Any special committee shall exist for not more than one year. The Chairperson of the Board shall be an ex-officio, non-voting member of any and all special committees.

(C) Duties. The instruction, procedures and scope of the Committee's responsibility shall be determined by the Board.

(D) Notice. Notice of committee meetings shall be made in the same manner as prescribed in Article II, Section 7, of these By-Laws. Except with respect to

provisions pertaining to Executive Sessions, Article II, Section 9, Committee meeting shall be open to the public.

ARTICLE VI

INDEMNIFICATION OF BOARD MEMBERS AND OFFICERS

Section 1. General. Under the circumstances prescribed in Sections 3 and 4 of this Article V, the Authority shall indemnify and hold harmless, to the extent such person is not insured by a policy or policies of insurance, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed demand, claim, action, suit or other proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Authority) by reason of the fact that he/she is or was a Board Member or Officer, (which, for purposes of the Article IV, and wherever mentioned herein, shall include the General Manager, Board Secretary, Department Heads, Legal Counsel) against expenses (including attorney's fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by him/her in connection with such action, suit or proceeding if he/she acted in a manner he/she reasonably believed to be in or not opposed to the best interests of the Authority, and with respect to any criminal action or proceeding, had reasonable cause to believe that his/her conduct was not unlawful.

Section 2. Action by the Authority. Under the circumstances prescribed in Sections 3 and 4 of this Article V, the Authority shall indemnify and hold harmless, to the extent

such person is not insured by a policy or policies of insurance, any person who was or is a party or is threatened to be made a party to any threatened pending or completed investigation, claim, action or suit by or in the right of the Authority to procure a judgment in its favor by reason of the fact he/she is or was a Board member or Officer of the authority, against expenses (including attorney's fees) actually and reasonably incurred by him/her in connection with the defense or settlement of such action or suit, if he/she acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interests of the Authority, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for intentional malfeasance, misappropriation or fraud, in the performance of his/her duty to the Authority, unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Section 3. Successful Defense. To the extent that a Board member or officer of the Authority has been successful on the merits or otherwise in defense of a matter referred to in Sections 1 and 2 of this Article V, or in defense of any claim, issue or matter therein, he/she shall be indemnified and held harmless to the extent such person is not insured by a policy or policies of insurance against expenses (including attorney's fees) actually and reasonably incurred by him/her in connection therewith.

Section 4. Award by Board. Except as provided in Section 3 of this Article V, and except as may be ordered by a court, any indemnification of an adverse final judgment under Sections 1 and 2 of this Article V shall be made by the Authority unless deemed unauthorized in the specific case upon a determination by the Board that indemnification of the Board Member or Officer is improper in the circumstances because he/she has failed to meet the applicable standard of conduct set forth in Sections 1 and 2. Such determination shall be made: (1) by the Board by a majority vote of a quorum consisting of Board members who were not parties to such action, suit or proceeding; or (2) if such a quorum is not obtainable, or, even if obtainable, by the firm of independent legal counsel then employed by the Authority in a written opinion.

Section 5. Payment. Defense costs and other expenses incurred in defending a matter described herein shall be paid by the Authority as incurred upon the undertaking by or on behalf of the Board Member or Officer unless it shall ultimately be determined that he/she is not entitled to be indemnified by the Authority as authorized in this Article V.

Section 6. Not Exclusive. The indemnification provided by this Article V shall not be deemed exclusive of any other right to which the person indemnified hereunder shall be entitled and shall inure to the benefit of the heirs, executors and administrators of such persons.

Section 7. Insurance. The Authority may purchase and maintain insurance on behalf of any person during his/her term of office who is a Board Member or Officer of the

Authority, against any liability asserted against him/her and incurred by him/her in any such capacity, or arising out of his/her status as such, whether or not the Authority would have the power to indemnify him/her against such liability under the provisions of this Article V.

ARTICLE VII

SEAL

Section 1. Seal. The Authority shall have a seal which shall have inscribed thereon the following: Suburban Mobility Authority for Regional Transportation.

ARTICLE VIII

FISCAL YEAR

Section 1. Fiscal Year. The fiscal year of the Authority shall be a fiscal year beginning on the first day of July of each year and ending on the 30th day of June the next ensuing year.

ARTICLE IX

AMENDMENTS TO BY-LAWS

Section 1. By-Laws. These By-Laws may be altered, amended or repealed and new By-Laws adopted, by resolution adopted by the affirmative vote of at least (1) member of the Board from each of Macomb, Oakland and Wayne County and at least a majority of all members of the Board, at (A) the Annual Meeting or (B) at any Regular or Special Meeting of the Board provided that at least ten (10) days written notice, incorporating the exact language of the proposed change, has been given to all members of the Board.

ARTICLE X

PARLIAMENTARY RULES

Section 1. Parliamentary Rules. Except where inconsistent with the Act or these By-Laws, Robert's Rules of Order, as from time to time revised, shall govern the proceedings of the Board and its Committees.

FOOTNOTES

1. Sections 5 (2), (3), (4), (5), Act 267, P.S. 1976
2. Section 6 (1), Act 267, P.A. 1976
3. Section 5, Act 267, P.A. 1976
4. Sections 9 (1), (2), (3), Act 267 P.A. 1976
5. Section 10 (2) (B), Act 204, P.A. 1967, as amended
6. Sections 11, 12, 13, Act 204, P.A. 1967, as amended