



Morgan Stanley

# Family Constitution and Family Bylaws

SAMPLE—FOR ILLUSTRATIVE PURPOSES ONLY

Family governance documents, such as Family Constitutions and Family bylaws, can be important parts of the family governance system. To use the analogy of the United States federal system, if the Family Mission Statement is like our country's Declaration of Independence — a visionary document founded on fundamental principles, values and aspirations — the Family Constitution is like the U.S. Constitution (a document that creates or designates structures and parcels out powers), and Family bylaws are like the separate titles of the U.S. Code or the regulations promulgated thereunder (the part of the system that gets down to the nitty gritty of the day-to-day governing).

## PURPOSES AND ILLUSTRATIONS.

In this way, Family Constitutions and Family bylaws help to implement the family's vision of governance, by creating structures, such as Family Councils or Family Advisory Boards, and delineating the power of such entities; setting rules regarding membership in those entities; imposing limits on the use of family wealth; providing mechanisms for family wealth management; or addressing any other family concerns or considerations. Family governance documents can play a useful role in families that describe themselves as having a happy and healthy dynamic, as well as families that describe themselves as being somewhat more troubled. In families that have an especially challenged dynamic, family

governance documents may be used in circumstances giving rise to a concern about future litigation. In these families, senior generation family members may be concerned that members of the younger generation may use litigation or its threat in an attempt to pressure fiduciaries to act in accordance with their wishes. In more extreme situations, there may even be a concern that younger generation family members will attempt to attack and ultimately destroy the various protective devices the senior generation has implemented.

As a response to these concerns, family governance documents may contain provisions in which family members commit not to challenge fiduciary acts taken in good faith; indemnifying or

exculpating fiduciaries; providing for the controlled dissemination of information as a way of satisfying certain disclosure requirements (often important to begin the running of applicable statutes of limitations); encouraging regular accounting and approval of fiduciary acts and transactions, etc.

Here is an example of a Family Constitution and Family bylaws, where the Matriarch/Patriarch was concerned that her/his children had become overly dependent on family wealth, had made imprudent investment decisions and had given unwisely to what he perceived to be a cult-like charity.

## Here is an Example of a Family Constitution:

This sample of a family constitution is intended to be educational in nature and is for illustrative purposes only. It does not constitute and should not be treated as legal or tax advice. Morgan Stanley does not assume responsibility for any individual's reliance on this sample language. You should consult with your own legal advisor before using any of this sample language or implementing a family constitution. Morgan Stanley does not give legal or tax advice.

\_\_\_\_\_ Family Constitution.

WHEREAS, each of the parties hereto acknowledges that [name of Matriarch/Patriarch], who died on \_\_\_\_\_, was the benefactor of the family wealth through her/his lifelong hard work and success and, as such, also acknowledges that her/his views and philosophy with respect to the management of the family wealth shall continue to serve as the guiding principles for the investment, consumption and management thereof; and

WHEREAS, [the Matriarch/Patriarch] believed that the benefits to be gained by each family member from realizing her or his full potential through self-accomplishment far outweigh the benefits of financial support from the family wealth; and

WHEREAS, [the Matriarch/Patriarch] also believed that the initiative, industry and ambition of a person easily could be impaired if not prodded by financial necessity; and

WHEREAS, the parties hereto subscribe to such beliefs and, accordingly, each wishes to avoid the use of the family wealth in a manner that might impair the desire of a family member to become a self-sufficient, productive member of society; and

WHEREAS, each of the parties hereto wishes to preserve a sense of family identity among the respective families of [the Matriarch/Patriarch's] three surviving children, in order to provide a framework for the joint investment and management of the family wealth, and to impose certain limitations on the personal consumption and philanthropic or other uses of the family wealth; and

WHEREAS, in order to accomplish the foregoing objectives, each of the parties hereto desires to commit to the others to act in accordance with the provisions of this Constitution and the \_\_\_\_\_ Family bylaws (hereinafter, as amended and restated from time to time, the "bylaws") promulgated pursuant hereto; and

WHEREAS, each of the parties hereto also desires to commit not to contest in a court proceeding or otherwise any action or omission taken or not taken in good faith by any fiduciary; whether acting as a trustee, investment adviser, general partner, director, officer, manager, business advisor or otherwise, with respect to any \_\_\_\_\_ family trust, partnership, corporation, limited liability company, foundation or other entity, as the case may be, if such action or omission is taken or not taken in accordance with the provisions of this Constitution and the bylaws, and further desires to discharge, release and hold harmless any such fiduciary from and against any and all liability for any such action or omission; and

WHEREAS, each of the parties hereto, nonetheless, does not intend the provisions of this Constitution or the bylaws to limit in any way the authority or discretion granted to any such fiduciary pursuant to the provisions of the governing instrument of any such \_\_\_\_\_ family trust, partnership, corporation, limited liability company, foundation or other entity, to make independent decisions regarding the investment, management or distribution of the assets thereof or any other matter thereunder.

NOW, THEREFORE, each of the parties hereto agrees that the following provisions shall apply with respect to the investment and management, personal consumption and philanthropic or other uses of the family wealth:

## Section 1. Governance.

The Family Advisory Board, as described in Section 2 hereof, shall make all policies and guidelines regarding the investment and management, personal consumption and philanthropic or other uses of the family wealth. Specifically, subject to the further provisions of his Constitution, the Family Advisory Board shall adopt bylaws setting forth the following:

- (a) The general principles by which the Family Advisory Board will be governed in establishing its policies and guidelines.
- (b) The recommended policies and guidelines of the Family Advisory Board regarding the investment and management of the family wealth, including its recommendations with respect to the development and adoption of investment plans and strategies, the retention of outside investment professionals to assist in the development of such investment plans and strategies, and the periodic review thereof.
- (c) The recommended policies and guidelines of the Family Advisory Board regarding the personal consumption of the family wealth, including its recommendations regarding the purposes and levels of such consumption and the periodic review thereof.
- (d) The recommended policies and guidelines of the Family Advisory Board regarding the use of the family wealth for philanthropic purposes, including recommendations regarding the philanthropic purposes to which such wealth should be put and the levels of philanthropic support that are appropriate, and the periodic review thereof.

## Section 2. Family Advisory Board.

(a) Composition of Members. The Family Advisory Board shall have three (3) voting members: the Executive Member, the Standing Member and the \_\_\_\_\_ Family Representative, as follows:

**EXECUTIVE MEMBER.** The Executive Member shall be a person having at least ten (10) years of experience in management consulting, law, accounting and/or commercial or investment banking, or three (3) years of experience as a senior executive of a business with annual gross revenues in excess of Fifty Million Dollars (\$50,000,000). The Executive Member shall have one (1) vote on matters coming before the Family Advisory Board. \_\_\_\_\_ currently is serving as the Executive Member.

**STANDING MEMBER.** The Standing Member shall be a practicing attorney having at least ten (10) years of experience counseling wealthy individuals and families with respect to estate and tax planning, and trust administration matters.

The Standing Member shall have one (1) vote on matters coming before the Family Advisory Board. \_\_\_\_\_ currently is serving as the Standing Member, \_\_\_\_\_ Family Representative. The three Family Line Representatives (as defined in Section 2(b) below) shall serve jointly as the \_\_\_\_\_ Family Representative, and in such capacity, they collectively shall have one (1) vote on matters coming before the Family Advisory Board, which vote shall be cast based on the wishes of a majority of them (or all thereof if there shall be less than three Family Line Representatives then acting). Absent written notice to the contrary delivered to the Family Advisory Board by a Family Line Representative who is a child of [the Matriarch/Patriarch], the spouse of such Family Line Representative may vote on his or her behalf in the event he or she is unable to attend a meeting.

**(B) FAMILY LINE REPRESENTATIVES.** Each of the families of [the children of the Matriarch/Patriarch] shall be represented by a Family Line Representative, and the current Family Line Representatives shall be [each living child of the Matriarch/Patriarch]. If any of such persons dies, resigns or becomes incapacitated, unless he or she has directed to the contrary in a written instrument signed by him or her and filed with the Family Advisory Board, his or her spouse shall serve as his or her successor Family Line Representative until such spouse dies, resigns or becomes incapacitated. In the event a child of [the Matriarch/Patriarch] has directed that his or her spouse shall not serve as his or her successor, or in the event of the death, resignation or incapacity of

such spouse while serving as Family Line Representative, then a majority of the descendants of such child who then have attained twenty-one (21) years of age shall appoint as successor Family Line Representative a descendant of such child who either has (i) attained twenty-one (21) years of age and has graduated from an accredited four-year college with a bachelor's degree; or (ii) despite his or her lack of one or both of the above qualifications, has established to the satisfaction of the Family Advisory Board that he or she has demonstrated significant maturity and judgment that indicates he or she would perform responsibly in representing the members of his or her family line.

Any descendant appointed as a Family Line Representative shall serve consecutive one-year terms in such capacity until such descendant dies, resigns or becomes incapacitated, or another descendant of the same family line who then has attained twenty-one (21) years of age requests a vote regarding such appointment, which request shall be made in writing and delivered to the Family Advisory Board at least thirty (30) days prior to the end of the then current one-year term. In the event of such a request, a majority of the descendants of such family line who then have attained twenty-one (21) years of age shall either confirm the reappointment of the descendant currently serving as Family Line Representative or appoint a new Family Line Representative who meets the qualifications of clauses (i) or (ii) above.

**(C) NONVOTING MEMBER.** The Family Advisory Board shall have one (1) nonvoting member known, as the Special Member, who shall perform only those functions that are hereinafter specifically described in this Constitution and the bylaws. \_\_\_\_\_ currently is serving as the Special Member.

**(D) MANNER OF VOTING.** All decisions and actions to be taken by the Family Advisory Board shall be decided by a majority of its voting members.

### **Section 3. Tenure/Removal/Appointment Provisions.**

**(A) TENURE.** Except as otherwise specifically provided in Section 2(b) above, a person serving as the Executive Member, the Standing Member, the Special Member or as a Family Line Representative shall serve in such capacity until his or her death, resignation, incapacity (as hereinafter defined) or removal.

**(B) RESIGNATION.** A person serving as the Executive Member, the Standing Member, the Special Member or as a Family Line Representative may resign at any time and for any reason by giving written notice thereof, specifying the effective date of his or her resignation, to each of the other then acting members of the Family Advisory Board.

**(C) INCAPACITY.** As used herein, a person shall be considered "incapacitated" if, because of mental illness or deterioration, developmental disability or physical incapacity, he or she is not fully able to manage his or her personal or financial affairs. A determination that a member of the Family Advisory Board is incapacitated shall be made by such physician or physicians as shall be designated by such member at any time and from time to time (or in the absence of such designation, then by the physician or physicians then attending to such member) by written instrument delivered to the other then acting members of the Family Advisory Board.

**(D) REMOVAL OF EXECUTIVE MEMBER.** The Executive Member may be removed by vote of both (i) the Standing Member; and (ii) the \_\_\_\_\_ Family Representative, if it is determined that reasonable cause exists for removal. Upon removal of the Executive Member, a successor Executive Member shall be appointed in accordance with the provisions of Section 3(h) hereof and, until such time as a successor is appointed, the Special Member shall serve on an interim basis in such capacity in accordance with the provisions of Section 3(g) hereof.

**(E) REMOVAL OF STANDING MEMBER.** The Standing Member may be removed by vote of both (i) the Executive Member; and (ii) the \_\_\_\_\_ Family Representative, if it is determined that reasonable cause exists for removal. Upon removal of the Standing Member, a successor Standing Member shall be appointed in accordance with the provisions of Section 3(h) hereof and, until such time as a successor is appointed, the Special Member shall serve on an interim basis in such capacity in accordance with the provisions of Section 3(g) hereof.

**(F) REMOVAL OF SPECIAL MEMBER.** The Special Member may be removed by majority vote of the voting members of the Family Advisory Board, if it is determined that reasonable cause exists for removal. Upon removal of the Special Member, a successor Special Member shall be appointed in accordance with the provisions of Section 3(h) hereof.

**(G) INTERIM SUCCESSOR EXECUTIVE MEMBER OR STANDING MEMBER.** Upon the death, resignation, incapacity or removal of the then acting Executive Member or Standing Member, the Special Member shall serve on an interim basis in such capacity until such time as a successor Executive Member or Standing Member, as the case may be, is appointed pursuant to Section 3(h) below.

**(H) APPOINTMENT OF SUCCESSOR EXECUTIVE MEMBER, STANDING MEMBER OR SPECIAL MEMBER.** Upon the death, resignation, incapacity or removal of the then acting Executive Member, Standing Member or Special Member, a majority of the then acting voting members of the Family Advisory Board (which shall include the Special Member in his or her capacity as interim successor Executive Member or Standing Member, as applicable) shall appoint a successor Executive Member, Standing Member or Special Member, as the case may be.

#### **Section 4. Meetings.**

**(A) FAMILY ADVISORY BOARD.** The Family Advisory Board shall meet at least once each year to review the financial and operating results for the prior year as well as strategic plans and investment policies for the next calendar year. In addition, a special meeting of the Family Advisory Board may be called at any time by any voting member of the Family Advisory Board. Written notice of each meeting of the Family Advisory Board must be given to each member thereof at least three (3) days in advance of such meeting, unless such notice is waived in writing by such member. Unless a Family Line Representative directs to the contrary in a written instrument signed by him or her and filed with the Family Advisory Board, the spouse of the child of [the Matriarch/ Patriarch] whose family is represented by such Family Line Representative, and all of such child's descendants who then have attained twenty-one (21) years of age shall be entitled to attend all meetings of the Family Advisory Board. In addition, other persons may attend a meeting of the Family Advisory Board as invited guests if the Family Advisory Board determines that their presence will serve a useful purpose. Meetings of the Family Advisory Board may be attended either in person or by telephone.

**(B) ACTION WITHOUT A MEETING.** The Family Advisory Board at any time may take any action required or permitted to be taken under this Constitution without holding a meeting if an instrument setting forth the action to be taken is signed by a majority of the voting members of the Family Advisory Board. Any instrument executed pursuant to this subparagraph shall specify the date from which it is to be effective.

#### **Section 5. Dissemination of Information.**

Upon request, the Executive Member shall provide to each member of the Family Advisory Board copies of all relevant reports, correspondence and other documents that are available to him relating to the investment and management, personal consumption, and philanthropic or other uses of the family wealth. Notwithstanding the foregoing provisions of this Section, however, the Executive Member may classify certain reports, correspondence or other documents as privileged and, as such, not subject to the foregoing dissemination requirement.

**Section 6. Releases.**

Each of the parties hereto, individually and, if applicable, as lawful guardian of his or her minor children, hereby (i) commits not to contest in a court proceeding or otherwise any action or omission taken or not taken in good faith by any fiduciary, whether acting as a trustee, investment adviser, general partner, director, officer, manager, business advisor or otherwise, with respect to any family trust, partnership, corporation, limited liability company, foundation or other entity, as the case may be, if such action or omission is taken or not taken in accordance with the provisions of this Constitution and the bylaws; and (ii) discharges, releases and holds harmless any such fiduciary from and against any and all liability, causes of action in law and/or equity, claims, suits, obligations, promises, demands, damages or losses of any kind whatsoever, whether known or unknown, fixed or contingent, arising directly or indirectly by reason of any such action or omission. Each of the parties hereto also acknowledges that the provisions of this Constitution and the bylaws shall not limit in any way the authority and/or discretion granted to any fiduciary pursuant to the provisions of the governing instrument of any family trust, partnership, corporation, limited liability company, foundation or other entity, to make independent decisions regarding the investment, management or distribution of the assets thereof or any other matter thereunder.

**Section 7. Amendments.**

The Family Advisory Board may take any action it deems appropriate with respect to the subject matter of this Constitution, including amending this Constitution or the bylaws, with the written consent of a majority of its then acting voting members.

**Section 8. Acknowledgment and Agreement.**

Upon amending this Constitution or the bylaws, the voting members of the Family Advisory Board shall provide two (2) copies of such amendment to the Special Member and each family member who then has attained, or who thereafter attains, eighteen (18) years of age, each of whom shall acknowledge his or her receipt of such amendment and agreement to the provisions thereof by signing and returning one (1) copy of such amendment to the Family Advisory Board. The failure of the Special Member or any family member to sign and return such amendment, however, shall not render such amendment ineffective.

**Section 9. Counterparts.**

This instrument may be executed in one or more counterparts, each deemed to be an original for all purposes, and shall together constitute one and the same instrument.

**IN WITNESS WHEREOF**, the undersigned hereby set their hands as of [INSERT DATE].

[signatures]

## Here is an example of Family Bylaws:

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\_\_\_\_\_ Family bylaws.

Pursuant to the authority granted in the \_\_\_\_\_ Family Constitution, the undersigned, being all of the voting members of the Family Advisory Board, do hereby promulgate the \_\_\_\_\_ Family bylaws.

### Section 1. Family Endowment.

The Family Advisory Board acknowledges that assets with an approximate value of \$ \_\_\_\_\_ currently are invested on behalf of the descendants of [the Matriarch/Patriarch] through various trusts, partnerships, corporations and limited liability companies, and additional assets with an approximate value of \$ \_\_\_\_\_ currently are invested on behalf of the \_\_\_\_\_ Family Foundation. These aggregate assets plus all future growth thereon hereinafter shall be considered the "Family Endowment." The Family Advisory Board shall recommend policies and guidelines regarding the investment and management, consumption and philanthropic or other uses of the Family Endowment.

In this regard, the Family Advisory Board shall be governed by the following general principles in establishing its policies and guidelines:

- a. Charitable contributions from the Family Endowment shall be made pursuant to the recommended policies and guidelines set forth in Section 6 hereof.
- b. Income and transfer tax planning strategies that reduce the family's overall tax liability will be recommended when deemed appropriate by the Family Advisory Board.

### Section 2. Investment.

The investment of the Family Endowment shall be pursued in accordance with the following recommended policies and guidelines:

- a. The Executive Member shall retain outside investment professionals to assist in the development of investment plans and strategies. Each of such outside investment professionals shall have at least ten (10) years of experience in management consulting, accounting and/or commercial or investment banking, or three (3) years of experience as a senior executive of a business with annual gross revenues in excess of Fifty Million Dollars (\$50,000,000).
- b. In conjunction with such outside investment professionals, the family office at least annually shall prepare for review by the Family Advisory Board documents that describe the general principles upon which investment decisions shall be made, including capital market assumptions, asset allocation guidelines, capital concentration limits, etc., as well as investment plans that describe specific investment strategies and their intended goals. Such investment plans and strategies, however, may be modified in the interim as circumstances warrant without further review by the Family Advisory Board.

- c. Notwithstanding the foregoing, the Family Advisory Board recommends that investment decisions at all times be made in accordance with the following general principles: (i) diversification techniques among asset classes shall be employed to modify the impact of significant market fluctuations on the overall portfolio of investments; (ii) no more than ten percent (10%) of the Family Endowment shall be committed to any particular individual investment asset or investment manager; (iii) recourse debt shall not be used to make any investment, unless the return of capital is legally guaranteed or the Family Advisory Board has approved such debt.

### Section 3. Management.

The investment and management of the Family Endowment shall be centrally administered through a family office, which office shall be supervised by the Executive Member and shall be authorized to take all appropriate actions necessary to implement policies and strategies regarding the Family Endowment.

- a. The family office shall be staffed by such professional personnel as are necessary to manage the family's investment, accounting, tax, banking, insurance and other administrative matters. Outside professionals shall be utilized whenever they provide an appropriate and cost-effective alternative. As a general rule, a family member desiring to serve as a paid staff member of the family office shall be considered on the basis of his or her professional qualifications.
- b. The family office shall provide services to each of the families of [the Matriarch/Patriarch's] three surviving children, as well as to the various trusts established for the benefit of the members of each such family line and to the various investment entities jointly owned by such trusts, which services shall include, without limitation, investment counseling, accounting, tax planning and return preparation, banking, insurance and other administrative services. The costs of providing such services shall be apportioned among and borne by the three family lines and their respective trusts, partnerships or other entities, according to the reasonable determination of the Executive Member. The costs of additional services provided to a specific family member that are not in the ordinary course of business or that relate to separately owned investments shall be borne solely by such family member.
- c. There is hereby constituted a committee to be known as the "Compensation Committee." The Compensation Committee shall recommend to the trustees of the various family trusts, by written notice (a copy of which shall be delivered to the Family Advisory Board), the compensation (including, without limitation, base salary, bonus, retirement benefits, deferred compensation, pension plans, incentive plans, medical and insurance benefits, and other compensation features characteristic of someone similarly situated) of the Executive Member payable from the Family Endowment.
- d. The voting members of the Compensation Committee shall be the Standing Member, the "Independent Member" (as defined below) and the Family Representative. The sole nonvoting member of the Compensation Committee shall be the Special Member, who shall serve as an advisor to the voting members.
- e. As used above, the Independent Member shall be a person who (i) is not a member of the Family Advisory Board, (ii) is not a family member or a spouse of a family member; and (iii) has at least ten (10) years experience in management consulting, law, accounting and/or commercial or investment banking. The Independent Member shall serve in such capacity until his or her death, resignation, incapacity (as defined in the Constitution) or removal. The Independent Member may be removed (with or without cause) by the vote of both (i) the Standing Member; and (ii) the \_\_\_\_\_ Family Representative and, until such time as a successor Independent Member is appointed, the Special Member shall serve on an interim basis in such capacity. Upon the death, resignation, incapacity or removal of the Independent Member, a majority of the then acting voting members of the Compensation Committee (which shall include the Special Member in his or her capacity as interim successor Independent Member) shall appoint a successor Independent Member. \_\_\_\_\_ currently is serving as the Independent Member.



#### **Section 4. Distributions to [the Matriarch/Patriarch's] Children.**

It is recommended that distributions be made to or on behalf of each of [the Matriarch/Patriarch's] three children (hereinafter each a "child") from appropriate trusts for the benefit of each such child in accordance with the following recommended policies and guidelines:

- a. **Personal Consumption Budget.** The Family Advisory Board shall recommend an annual personal consumption budget (exclusive of personal income taxes) for each child and his or her dependents, which budget shall be the same for all three family lines. The recommended annual personal consumption budget (the "Consumption Distribution") shall be \$405,000, effective [INSERT DATE]. Each child's Consumption Distribution shall be paid in equal, monthly installments by deposit to his or her personal bank account, or, if a child is deceased, then to the account of his or her spouse, on the first day of each month. Distributions recommended to be made to or on behalf of a child under any other provisions of these bylaws are not intended to reduce a child's Consumption Distribution.
- b. **Employment Base Distribution.** Each child shall receive \$50,000 (the "Employment Base Distribution") if the child or his or her spouse is "employed" (as defined herein), irrespective of actual earnings from employment. A child or his or her spouse will be considered "employed" for purposes of this Section 4(b) if he or she is actively engaged on a regular basis in an activity intended to create a profit or that, in the judgment of the Family Advisory Board, provides value to society regardless of pay, including part-time employment.
- c. **Earnings Match.** Each child shall receive an additional amount (the "Earnings Match") equal to the aggregate actual pretax employment earnings of the child and his or her spouse, up to \$50,000 per year (such that the child's Employment Base Distribution plus his or her Earnings Match does not exceed \$100,000 per year); provided, however, that earnings from family-owned or controlled enterprises shall not be included in determining the Earnings Match unless the Family Advisory Board determines that such earnings are commercially reasonable. [Complex provisions intended to provide children with an incentive to save a portion of the Consumption Distribution, Employment Base Distribution and Earnings Match are omitted for the sake of simplicity.]
- d. **Distributions for Certain Medical Expenses.** It is recommended that distributions be made from appropriate trusts to or on behalf of each child and his or her dependents on an annual basis to cover medical expenses, including dental care, that are not reimbursed by medical insurance, including any amounts paid as a result of a policy's deductible, subject to the following conditions: (i) except as provided below, such distributions shall be limited to \$25,000 per year; (ii) except as provided below, such distributions shall be limited to expenses for conventional Western medical care, and shall not be made for preventative care; (iii) up to \$10,000 of the \$25,000 annual limit may include distributions to cover uninsured expenses of preventative health care of any type (including, without limitation, preventative health care that could be considered nonconventional or non-Western); (iv) there shall be no limitation on distributions to cover medical expenses for conventional Western medical care required as a result of catastrophic illness that are not reimbursed by medical insurance.
- e. **Distributions for Certain Legal Expenses.** It is expressly understood that a child may consult with his or her own legal counsel in order to obtain independent advice regarding matters involving the Constitution, these bylaws and/or the administration of the Family Endowment, generally. It is recommended that, at a child's request, distributions be made from appropriate trusts to him or her to pay reasonable legal expenses for such services, if such services are considered necessary or desirable by the Family Advisory Board. Except as otherwise provided herein, legal or other professional fees incurred by a child shall be borne by him or her at his or her own expense.

f. Housing Allowance. It is recommended that nonrecourse, noninterest bearing loans be made from appropriate trusts to each child to be invested in residence(s) or replacement residence(s) for the child with an aggregate value of up to \$1.5 million, subject to adjustment as provided below (such amount hereinafter is referred to as the "Housing Allowance"). [Complex provisions dealing with the sale of a residence, and the treatment of the sales proceeds, are omitted for the sake of simplicity.]

The Family Advisory Board shall have authority to adjust the Housing Allowance recommended herein on a case-by-case basis according to considerations it deems relevant, including, without limitation, economic factors, the cost of residential property in the relevant geographic area, and the financial condition and liquidity of the child, his or her \_\_\_\_\_ Trust and any other trusts of which he or she is a beneficiary.

g. Periodic Review of Distribution Provisions. The Family Advisory Board shall review the recommendations contained in these bylaws with respect to distributions to [the Matriarch/Patriarch's] children every five (5) years; provided, however, that the Family Advisory Board may review such recommendations on a more frequent basis if, in its judgment, it determines that unforeseen circumstances have made it appropriate to do so. The above recommendations shall be effective for the period from [INSERT DATE] through [INSERT DATE]. Notwithstanding any of the foregoing provisions hereof, the Family Advisory Board, in its discretion, may adjust any particular recommendation at any time in order to (1) ensure that the remaining assets held directly or indirectly for the benefit of [the Matriarch/Patriarch's] three children are sufficient to support them and their respective dependents during their remaining expected lifetimes, (2) reflect a significant increase or decrease in the value of such assets, or (3) compensate for the effects of inflation.

### **Section 5. Distributions to [the Matriarch/Patriarch's] Grandchildren.**

[Provisions addressing distribution to the Matriarch/Patriarch's grandchildren in order to provide incentives to attend and graduate college and to be gainfully employed, that match employment earnings and saving, that provide distributions for a car and a housing allowance, and that defray certain medical and legal expenses have been omitted for the sake of simplicity.]

### **Section 6. Philanthropy.**

It is recommended that charitable contributions by the \_\_\_\_\_ Foundation or by individual family members be made in accordance with the following policies and guidelines: recommendations regarding charitable contributions to be made by the \_\_\_\_\_ Foundation shall be proposed by the Family Advisory Board and, in so doing, the Family Advisory Board shall favor the following charitable purposes: \_\_\_\_\_.

Charitable contributions to be made privately by any individual family member or members out of personal consumption budget distributions, distributions made to match pretax employment earnings, actual employment earnings or other personal funds shall not require the approval of the Family Advisory Board; provided, however, that no family member shall make charitable contributions in an amount that would impair his or her ability to support himself or herself and his or her dependents.

### **Section 7. Counterparts.**

This instrument may be executed in one or more counterparts, each to be an original for all purposes, and shall together constitute one and the same instrument.

IN WITNESS WHERE OF, the undersigned voting members of the Family Advisory Board hereby set their hands as of [INSERT DATE].

[signatures]

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