



October 23, 2024

Re: Proposed Restated Bylaws for the San Diego Maritime Museum

Dear Members:

I am writing to you to ask for your support and approval of an important project your board of directors has been working on this year. As most of you know our bylaws are an important document for us because they serve as the basis of how the Museum governs itself.

The Museum's bylaws have not been thoroughly reviewed and updated in many years. Accordingly, this year the board has undertaken a review of them and is recommending that they be restated using a form that reflects our particular needs and culture, and that also integrates current practices of non-profits generally. To do so we engaged a well-respected attorney who focuses on non-profit governance to guide the preparation of a new bylaws document.

The proposed bylaws accompany this letter for your consideration and adoption at the upcoming Member meeting on November 13, 2024.

However, many of you may not wish to wade through the long legal document, so set forth below is a summary of some of the important basic terms.

Members and Membership.

We will retain our membership structure and provide the Members with the basic powers they are required to have under the law.

The familiar membership classes will remain: general annual membership at various price and benefit levels, corporate/foundation Members, and the existing life members. The dues and benefits of the different membership classes are as set by the board from time to time. The existing life memberships (which do not pay dues) will be honored but that type of membership will no longer be issued.

The board will have flexibility to create additional voting and non-voting membership categories.

The Members retain their current rights to vote on the election of directors. The general rule remains that new directors are elected at the annual Member meeting, and that the board can fill a vacancy that might occur mid-year.

A new provision increases the rights of the Members regarding selecting directors. The proposed bylaws continue the ability of the board to fill board vacancies that occur during the year, but they require that those mid-year appointees be ratified by the Members at the next annual meeting. This eliminates the situation where someone might be a director for a significant amount of time without ever facing a vote of the Members.

The proposed bylaws give the Members control over amendments to the Bylaws that materially and adversely affect the voting rights of the Members. They also give the Members various rights required by law, such as the right to remove a director.

Member Meetings.

The annual Member meeting remains scheduled for the second Wednesday of November, although the board may set a different time for convenience or other reasons.

The quorum for Member meetings increases from 25 to 50.

The Board – Terms and Term Limits.

We currently use a 4-4-1 board term system under which a director may be elected to a four-year term and then be re-elected to a second four-year term. After that second term, the director must rotate off the board for at least a year. The proposed bylaws provide for a 3-3-3-1 system, meaning that terms are shortened to three years but a director may serve for three consecutive three year terms before having to rotate off the board. This will give the museum more opportunity for board development and great community involvement, while still preserving the ability to have valuable board members serve for many years.

The board may assign terms of less than three years to incoming directors in an attempt to keep the terms staggered so that about a third of the board is elected or re-elected each year. The board may also adjust the term limits in extraordinary circumstances.

Board Committees.

The draft Bylaws call for four “standing” committees: executive, audit, finance, and governance/nominating. This is similar to the current proposed bylaws. Only directors are allowed on the executive, finance, and governance/nominating committees, but the audit committee may include appropriate outside persons.

The board continues to have the power to set up additional advisory committees such as fundraising, building, facilities, strategic planning, and the like. These sorts of advisory committees are better governed by board resolutions that can be adjusted efficiently from time to time by the board without requiring a change in the bylaws themselves.

The executive committee is a very important committee because it has the power to act for the board if something needs to be addressed before the next scheduled board meeting. The proposed bylaws provide that the executive committee consists of seven directors: the board chair, the board vice chair, the chair of the finance committee, the chair of the governance/nominating committee, and three others selected by the board.

Board - Other

The current bylaws allow the board to set the exact number of directors from time to time within a certain range. That range is currently 15 to 28. To give more flexibility for the future, that range would be expanded to between 5 and 35.

The quorum required for board action will change to be a majority of the directors then in office, rather than the current quorum tied to the majority of the authorized directors. This will alleviate the difficulties in achieving a quorum we sometimes have faced in the past when there were vacancies on the board.

The board retains the ability to establish categories of non-voting representatives to the board or honorific board Members (such as emeritus directors).

Officers

The proposed bylaws require that the Museum have a president/chief executive officer, board chair, board vice chair, secretary, and either or both of a treasurer or chief financial officer. The board may create additional officer positions, such as vice president. Only the board chair and board vice chair need to be directors.

The officers will have one year terms (as they do today), without term limits. However, the board chair may not serve more than three consecutive years except in extraordinary circumstances; the current term limit for the board chair is two years.

Bylaws Amendments

Amendments to the Bylaws may be adopted by the Members or by the board. However, the board may not amend the Bylaws if the amendment would materially and adversely affect the voting rights of the Members.

* * * * *

Thank you for your attention to this important matter. I hope to see you on the 13th!

Sincerely,

A handwritten signature in black ink, appearing to read 'Ken', written in a cursive style.

Kenneth J. Stipanov
Board Chair, Maritime Museum of San Diego.

Amended and Restated Bylaws of
MARITIME MUSEUM ASSOCIATION OF SAN DIEGO
A California Nonprofit Public Benefit Corporation

ARTICLE 1 NAME

Section 1.1 Corporate Name

The name of this corporation is **Maritime Museum Association of San Diego** (the “Corporation”).

ARTICLE 2 OFFICES

Section 2.1 Principal Office

The principal office for the transaction of the business of the Corporation may be established at any place or places within or without the State of California by resolution of the Board.

Section 2.2 Other Offices

The Board may at any time establish branch or subordinate offices at any place or places where the Corporation is qualified to transact business.

ARTICLE 3 PURPOSES

Section 3.1 General Purpose

The Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Corporation Law of California (“California Nonprofit Corporation Law”) for charitable purposes.

Section 3.2 Specific Purpose

The specific purpose of the Corporation shall include without limitation, the following: the establishment in the County of San Diego, aquarium, marine, and maritime exhibits and historical exhibits relating to maritime matters, and the maintenance of such exhibits for a scientific and education purpose, and to engage in educational and research activities in connection with maintaining aquarium, marine, and maritime exhibits and historical exhibits relating to maritime matters, and to acquire, maintain, and operate research laboratories, libraries, and educational facilities and equipment; to enter into contracts for receiving, and to raise by subscription and other appropriate means, funds for the purposes stated above; and in aid and furtherance of the foregoing to do all other acts necessary or convenient for administration of the affairs and to attain the purposes of the Corporation.

ARTICLE 4 LIMITATIONS

Section 4.1 Political Activities

The Corporation has been formed under California Nonprofit Corporation Law for the charitable purposes described in Article 3, and it shall be nonprofit and nonpartisan. No substantial part of the activities of the Corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in or intervene in any political campaign (including the publishing or distribution of statements) on behalf of, or in opposition to, any candidate for public office.

Section 4.2 Prohibited Activities

The Corporation shall not, except in any insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes described in Article 3. The Corporation may not carry on any activity for the profit of its Officers, Directors, Members, or other persons or distribute any gains, profits or dividends to its Officers, Directors or other persons as such. Furthermore, nothing in Article 3 shall be construed as allowing the Corporation to engage in any activity not permitted to be carried on (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) or (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

ARTICLE 5 DEDICATION OF ASSETS

Section 5.1 Property Dedicated to Nonprofit Purposes

The property of the Corporation is irrevocably dedicated to charitable purposes. No part of the net income or assets of the Corporation shall ever inure to the benefit of any of its Directors, Officers Members, or to the benefit of any private person, except that the Corporation is authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article 3 hereof.

Section 5.2 Distribution of Assets Upon Dissolution

Upon the dissolution or winding up of the Corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of the Corporation shall be distributed to a nonprofit fund, foundation, or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under Section 501(c)(3) of the Code.

ARTICLE 6 MEMBERS

Section 6.1 Classes of Members

Membership in the Corporation shall be open to all persons interested in the Corporation’s purposes who meet the requirements set forth in this Section (each, a “Member”). Each person may hold only one membership and may not hold fractional memberships. Membership entitles each Member to the rights set forth in this Article 6 but does not grant any ownership rights in or distribution rights from the Corporation. No Member may transfer a membership and all rights of membership cease upon the Member's death or dissolution.

There shall be the following classes of voting Members (“Memberships”):

6.1.1 General Membership

General Members shall be those individuals who pay the minimum fees, dues, assessments, and any other consideration for such membership as determined by the Board, who are current on the same, and whose term of membership has not expired without being timely renewed. Other qualifications or criteria for General Membership may be required as determined by the Board from time to time. The term of a General Membership begins on the date the minimum fees or dues for such term are paid and continues for one year thereafter.

Levels of General Membership, and the fees, dues, and benefits attendant to each level, shall be determined from time to time by the Board. Additionally, notwithstanding the above, the Board may establish one or more levels of General Membership with terms other than one (1) year.

The Board may also set and determine any special categories of membership.

The Board may delegate its rights and duties set forth in this Section to the President or other Officers.

6.1.2 Institutional Membership

Institutional Members shall be any corporation or other business entity, or any foundation or other institution formed for charitable or other public purposes, that pays the minimum fees, dues, assessments, and any other consideration for such membership as determined by the Board, which are current on the same, and whose term of membership has not expired without being timely renewed. Other qualifications or criteria for Institutional Membership may be required as determined by the Board from time to time.

The term of an Institutional Membership begins on the date the minimum fees or dues for such term are paid and continues for one year thereafter. Additionally, notwithstanding the preceding sentence, the Board may establish one or more levels of Institutional Membership with terms other than one (1) year.

Each Institutional Member shall designate one individual as its authorized representative for the purposes of exercising all rights and privileges accorded to Institutional Members. Each Institutional Member shall have the right (but not more frequently than once per calendar quarter) during the term of such annual membership to redesignate the individual who will serve as its sole authorized representative if it desires to change the individual previously designated as its sole authorized representative. Any such change shall be provided in

writing to the Secretary or President, or to any member of the Corporation's staff responsible for tracking such matters.

6.1.3 Life Memberships

Prior to November 3, 2001, the Corporation issued so-called Life Memberships to a number of persons. Persons holding such Life Memberships shall be deemed to hold General Memberships with all the rights and duties attendant thereto; provided, however, that such person shall not be required to pay periodic fees, dues, or assessments. Any such Life Membership shall expire upon the death of the person holding the same and may not be inherited.

Section 6.2 Non-voting Members

The Board may from time to time establish non-voting membership classes for persons who support the Corporation but have no voting rights with respect to the Corporation, and may adopt policies and procedures for the designation of such persons. Notwithstanding that such persons may be referred to from time to time as "members," they are not "members" within the meaning of Section 5056 of the California Nonprofit Corporation Law.

Section 6.3 Membership Rights

6.3.1 Voting Rights

Subject to these Bylaws and the Corporation's other policies and procedures, Members of the Corporation shall have the right to vote, as set forth in these Bylaws, on:

- (a) the election of Directors;
- (b) the removal of Directors pursuant to Section 5222 of the California Nonprofit Corporation Law;
- (c) any amendments to these Bylaws that materially and adversely affects Member voting rights, and all amendments to the Articles of Incorporation of the Corporation (the "Articles of Incorporation"), except for amendments permitted to be adopted by the Board alone under Section 5812 of the California Nonprofit Corporation Law;
- (d) the disposition of all or substantially all of the assets of the Corporation;
- (e) any merger of the Corporation;
- (f) any dissolution of the Corporation; and
- (g) any other matters that may be properly presented to Members for a vote, pursuant to the Articles of Incorporation, Bylaws, or action of the Board or by operation of law.

6.3.2 Other Rights

In addition to the rights described in these Bylaws, Members of the Corporation shall have any other rights afforded voting Members under the California Nonprofit Corporation Law.

Section 6.4 Annual Member Meetings

An annual meeting of the Members will be held on the second Wednesday of November at 6:00 p.m. of said day or at a date, place, and time determined by the Board for the purpose of electing Directors and transacting such business as may come before the meeting.

Section 6.5 Special Member Meetings

Special meetings of the Members shall be held whenever called by resolution of the Board, by the Board Chair, or the President, or by a written demand to the Secretary by five percent (5%) of the Members eligible to vote. Special meetings must be held not less than thirty-five (35) days nor more than ninety (90) days after the resolution or written demand is made.

Section 6.6 Place of Meetings

Member meetings may be held at any place within or without the State of California that is designated in the notice of the meeting. If no place is stated in the notice or if there is no notice, meetings shall be held at the principal office of the Corporation.

Section 6.7

Notice of Meetings

Unless otherwise fixed by the Board, the record date for the purpose of determining which Members are entitled to notice of any Member meeting, shall be the business day preceding the date on which notice for that meeting is given. If the Board, by resolution, fixes a different record date for notice, the record date shall be not less than ten (10) nor more than ninety (90) days before the date of the notice.

6.7.1

Time and Manner of Notice of Meetings

The Secretary shall give written notice of each Member meeting to each Member who, as of the record date for notice of the meeting, would be entitled to vote at such meeting. The notice shall be delivered to the last address provided by the Member to the Corporation for purposes of notice, either personally or by electronic mail, facsimile transmission, or first class, registered, or certified mail not less than ten (10) nor more than ninety (90) days before the date of such meeting, or by other mail not less than twenty (20) nor more than ninety (90) days before the date of such meeting.

6.7.2

Contents of Notice

The notice shall state the place, date and time of the meeting and (a) in the case of special meetings, the general nature of the business to be transacted, and no other business may be transacted; or (b) in the case of the annual meeting, the names of all those who are nominees for Director as of the date of the notice, and those matters which the Board, as of the date of the notice, intends to present for action by the Members, but any proper matter may be presented at the annual meeting for such action.

6.7.3

Notice of Certain Actions Required

Unless the vote of the membership shall be unanimous, any of the following votes shall be valid only if the general nature of the action approved was stated in the notice of the meeting at which the vote occurred: (a) to remove a Director without cause, (b) to fill a vacancy on the Board, (c) to amend the Articles of Incorporation, or (d) to voluntarily dissolve the Corporation.

Section 6.8

Quorum and Action of the Members

Fifty (50) Members entitled to vote at a Member meeting shall constitute a quorum. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of enough Members to leave less than a quorum, so long as any action taken thereafter is approved by at least a majority of the required quorum.

Every decision or act made or done by a majority of voting Members present and voting at a duly held meeting at which a quorum is present is the act of the Members, unless the law, the Articles of Incorporation or these Bylaws require a greater number.

Section 6.9

Voting

Each Member shall be entitled to one (1) vote on each matter submitted to a Member vote. The record date for determining the Members entitled to vote at a Member meeting shall be thirty (30) days before the date of the meeting. Proxy voting shall not be permitted on any matter put to the vote of the Members.

Section 6.10

Action Without a Meeting by Ballot

Any action which may be taken at any regular or special meeting of the Members may be taken without a meeting if the Corporation distributes a written ballot to every Member entitled to vote on the matter.

All solicitations of ballots shall: (i) indicate the number of responses needed to meet the quorum requirement; (ii) state the percentage of approvals necessary to pass the measure submitted with respect to ballots other than for the election of Directors; and (iii) specify the time by which the ballot must be received in order to be counted. The written ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Corporation.

Approval by written ballot pursuant to this Section 6.10 shall be valid only when: (i) the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action; and (ii) the number of approvals cast by ballot equals or exceeds the number

of votes that would have been required to approve the action at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Section 6.11 Action Without a Meeting by Written Consent

Any action required or permitted to be taken by the Members may be taken without a meeting, if all Members individually or collectively consent in writing to the action. The written consent or consents shall be filed with the minutes of the proceedings of the Members. The action by written consent shall have the same force and effect as the unanimous vote of the Members.

Section 6.12 Termination of Membership for Cause

6.12.1 Cause for Termination

A Member may be expelled or suspended or a Member's membership rights may be terminated if the Board, in good faith and according to a fair and reasonable procedure, determines that either:

- (a) The Member has failed to pay any required membership fees, assessments, or other consideration in a timely fashion; provided however that a membership issued for a period of time shall automatically expire without further action by the Board under this Section 6.12 or otherwise when such period of time has elapsed (unless the membership is duly renewed).
- (b) The Member's conduct or act violates the purpose and mission of the Corporation, these Bylaws, or the Corporation's policies.

6.12.2 Notice Requirements

The Board shall provide written notice to the Member of the Member's expulsion, suspension, or termination and the reasons thereof. The notice shall be given fifteen (15) days before the effective date of such expulsion, suspension, or termination. Notice may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class or registered mail sent to the last address of the Member shown on the Corporation's records.

6.12.3 Member Hearing

Any Member who receives notice of such Member's termination shall have the opportunity to be heard, either orally or in writing, at least five (5) days before the effective date of the termination. Such hearing shall be before the Board or any other such person or committee authorized by the Board to decide that the termination not take place.

6.12.4 Member Obligations

Termination shall not relieve the affected Member from any obligation for charges incurred, services or benefits actually rendered, dues, assessments, or fees incurred before the expulsion, suspension, or termination, or arising from contract or otherwise.

Section 6.13 Resignation

A Member may resign from membership at any time. This Section 6.13 shall not relieve the resigning Member from any obligation for charges incurred, services, or benefits actually rendered, dues, assessments, or fees, or arising from contract or otherwise. This Section 6.13 shall not diminish any right of the Corporation to enforce any such obligation or obtain damages for its breach. A membership issued for a period of time shall automatically expire when such period of time has elapsed unless the membership is renewed.

ARTICLE 7 DIRECTORS

Section 7.1 Corporate Powers Exercised by Board

Subject to the provisions of the Articles of Incorporation of the Corporation (the "Articles of Incorporation"), California Nonprofit Corporation Law and any other applicable laws, the business

and affairs of the Corporation shall be managed, and all corporate powers shall be exercised, by or under the direction of a board of directors (the "Board") comprised of Members of the Corporation selected in accordance with the provision of these Bylaws. The Board may delegate the management of the activities of the Corporation to any person or persons, management company or committee however composed, provided

that the activities and affairs of the Corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

Section 7.2 Number of Directors

The number of Directors shall be no less than five (5) nor more than thirty-five (35), with the exact number of Directors to be fixed from time to time by resolution of the Board. Any amendment of the preceding sentence shall require the approval of the Members.

Section 7.3 Terms; Term Limits

7.3.1 Terms

- (a) Directors shall serve for terms of three (3) consecutive calendar years.
- (b) Such terms shall (i) begin on January 1 of the applicable year (other than the term of a person appointed to fill a vacancy under Section 7.4.2, which term shall begin on the effective date of such appointment), and (ii) shall end upon the later of December 31 of the applicable year or upon the designation or election and qualification of a successor (unless the Board reduces the number of Directors under Section 7.2 and thereby eliminates the need for such successor).

7.3.2 Staggering of Terms.

The Board shall endeavor to stagger the terms of the Directors so that approximately one-third of the Directors are elected or reelected each year. Accordingly, in order to attempt to comply with the preceding sentence, and notwithstanding anything to the contrary in Section 7.3.1 above, the Board in its discretion may declare the term of any Director to be elected to be either a one year term or a two year term.

7.3.3 Term Limits

- (a) A person may serve as a Director for three (3) consecutive three year terms; provided, however that a person who has served for a term of less than three years because (i) they have been appointed to fill a vacancy under Section 7.4.2, or (ii) they have served a term of one year or two years as described under Section 7.3.2, may be elected to a fourth partial term so long as their total continuous service as a Director does not exceed nine (9) years.
- (b) A person who has reached the limit described in paragraph (b) above may not be re-elected as a Director until at least one (1) year has passed since the expiration or termination of any previous term.
- (c) Provided, however, that in special circumstances the Board by resolution may waive all or any part of the term limits described in this paragraph on a year-by-year basis for purposes of leadership development or continuity, or for other extraordinary circumstances, as determined by the Board.

Section 7.4 Vacancies

7.4.1 Events Causing Vacancy

A vacancy shall be deemed to exist on the Board in the event that the actual number of Directors is less than the number established under Section 7.2 for any reason. Vacancies may be filled by appointment by a majority of the remaining Directors (unless the vacancy was created by removal of a Director by the Members) or by the Members, for the unexpired portion of the term. Provided, however, no such appointment by the remaining Directors shall occur with the 40 days prior to the date of the next scheduled Annual Member meeting. No vacancy on the Board shall affect the validity of any action taken by the Board so long as all other requirements for such action have been duly observed.

7.4.2 Resignation of Directors

Except as provided below, any Director may resign by giving written notice to the Board Chair, the President, the Secretary, or the Board. Such a written resignation will be effective on the later of (i) the date it is delivered or (ii) the time specified in the written notice that the resignation is to become effective. If a Director's resignation is effective at a later time, the remaining directors, or the Members, may appoint or elect a successor Director to take office as of the date when the resignation becomes effective in accordance with the provisions related to vacancies on the Board. No Director may resign if the Corporation would then be left without a duly elected Director or Directors in charge of its affairs, except upon notice to the California Attorney General (the "Attorney General").

7.4.3 Removal of Directors

Any Director may be removed at any time with or without cause by a majority of the remaining Directors then in office or by the approval of the Members.

Section 7.5 Regular Meetings

Each year, the Board shall hold at least one meeting, at a time and place fixed by the Board, for the purposes of nominating Directors for election by the Members (if necessary), appointment of Officers, and transaction of other business. Other regular meetings of the Board may be held at such time and place as the Board may fix from time to time, and no notice of any meeting of the board set forth in any a schedule of such regular meetings will be necessary, so long as all Directors receive notice of such schedule.

Section 7.6 Special Meetings

Special meetings of the Board for any purpose may be called at any time by the Board Chair, or the President, or any two Directors.

Section 7.7 Notice of Meetings

7.7.1 Manner of Giving Notice

Except when the time and place of a regular meeting is set by the Board by resolution in advance (as permitted by Section 7.5), notice of the time and place of all regular and special meetings shall be given to each Director by one of the following methods:

- (a) Personal delivery of oral or written notice;
- (b) First-class mail, postage paid;
- (c) Telephone, including a voice messaging system or other system or technology designed to record and communicate messages; or
- (d) Facsimile, electronic mail (“e-mail”) or other means of electronic transmission if the recipient has consented to accept notices in this manner.

All such notices shall be given or sent to the Director’s address, phone number, facsimile number or e-mail address as shown on the records of the Corporation. Any oral notice given personally or by telephone may be communicated directly to the Director or to a person who would reasonably be expected to promptly communicate such notice to the Member or the Director. Notice of regular meetings may be given in the form of a calendar or schedule that sets forth the date, time and place of more than one regular meeting.

7.7.2 Time Requirements

Notices sent by first-class mail shall be deposited into a United States mailbox at least four business days before the time set for the meeting. Notices given by personal delivery, telephone, voice messaging system or other system or technology designed to record and communicate messages, facsimile, e-mail or other electronic transmission shall be delivered at least two (2) business days before the time set for the meeting.

7.7.3 Notice Contents

The notice shall state the time and place for the meeting, except that if the meeting is scheduled to be held at the principal office of the Corporation, the notice shall be valid even if no place is specified. The notice need not specify the purpose of the meeting unless required to elsewhere in these Bylaws.

Section 7.8 Place of Board Meetings

Regular and special meetings of the Board may be held at any place within or outside the state that has been designated in the notice of the meeting, or, if not stated in the notice or, if there is no notice, designated by resolution of the Board. If the place of a regular or special meeting is not designated in the notice or fixed by a resolution of the Board, it shall be held at the principal office of the Corporation.

7.8.1 Meetings by Telephone or Similar Communication Equipment

Any meeting may be held by conference telephone, electronic video screen communication or electronic transmission, or such other method permitted by California Nonprofit Corporation Law, as long as all Directors participating in the meeting can communicate with one another and all other requirements of

California Nonprofit Corporation Law are satisfied. All such Directors shall be deemed to be present in person at such meeting.

Section 7.9 Quorum and Action of the Board

7.9.1 Quorum

A majority of Directors then in office (but no fewer than two Directors or one-fifth of the number of Directors established under Section 7.2, whichever is greater) shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 7.11.

7.9.2 Minimum Vote Requirements for Valid Board Action

Every act taken or decision made by a vote of the majority of the Directors present at a meeting duly held at which a quorum is present is the act of the Board, unless a greater number is expressly required by California Nonprofit Corporation Law, the Articles of Incorporation or these Bylaws. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors from the meeting, if any action taken is approved by at least a majority of the required quorum for that meeting.

7.9.3 When a Greater Vote Is Required for Valid Board Action

The following actions shall require a vote by a majority of all Directors then in office in order to be effective:

- (a) Approval of contracts or transactions in which a Director has a direct or indirect material financial interest as described in Section 10.1 (provided that the vote of any interested Director(s) is not counted);
- (b) Creation of, and appointment to, Committees (but not advisory committees) as described in Section 8.1;
- (c) Removal of a Director without cause as described in Section 7.4.23; and
- (d) Indemnification of Directors as described in Article 11.

Section 7.10 Waiver of Notice

The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (i) a quorum is present, and (ii) either before or after the meeting, each of the Directors who is not present at the meeting signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent does not need to specify the purpose of the meeting. All waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Also, notice of a meeting is not required to be given to any Director who attends the meeting without protesting before or at its commencement about the lack of adequate notice. Directors can protest the lack of notice only by presenting a written protest to the Secretary either in person, by first-class mail addressed to the Secretary at the principal office of the Corporation as contained on the records of the Corporation as of the date of the protest, or by facsimile addressed to the facsimile number of the Corporation as contained on the records of the Corporation as of the date of the protest.

Section 7.11 Adjournment

A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

Section 7.12 Notice of Adjournment

Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than 24 hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

Section 7.13 Conduct of Meetings

Meetings of the Board shall be presided over by the Board Chair, or, if there is no Board Chair or the Board Chair is absent, the Board Vice Chair. or, if the Board Chair and Board Vice Chair are both absent, by a chair of the meeting chosen by a majority of the Directors present at the meeting. The Secretary shall act as secretary of all meetings of the Board, provided that, if the Secretary is absent, the presiding officer shall

appoint another person to act as secretary of the meeting. Meetings shall be governed by rules of procedure as may be determined by the Board from time to time, insofar as such rules are not inconsistent with or in conflict with these Bylaws, with the Articles of Incorporation, or with any provisions of law applicable to the Corporation.

Section 7.14 Action Without Meeting

Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to the action. For the purposes of this Section 7.14 only, “all members of the Board” shall not include any “interested Director” as defined in Section 5233 of the California Nonprofit Corporation Law. Such written consent shall have the same force and effect as a unanimous vote of the Board taken at a meeting. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

Written consent may be transmitted by first-class mail, messenger, courier, facsimile, e-mail or any other reasonable method satisfactory to the Board Chair or the President.

Section 7.15 Fees and Compensation of Directors

The Corporation shall not pay any compensation to Directors for services rendered to the Corporation as Directors, except that Directors may be reimbursed for expenses incurred in the performance of their duties to the Corporation, in reasonable amounts as approved by the Board.

Also, Directors may not be compensated for rendering services to the Corporation in a capacity other than as Directors, unless such compensation is reasonable and further provided that not more than 49% of the persons serving as Directors may be “interested persons” which, for purposes of this Section 7.15 only, means:

- (a) any person currently being compensated by the Corporation for services rendered to it within the previous 12 months, whether as a full or part-time Officer or other employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a Director as Director; or
- (b) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person.

Section 7.16 Non-Liability of Directors

The Directors shall not be personally liable for the debts, liabilities, or other obligations of the Corporation.

ARTICLE 8 COMMITTEES

Section 8.1 Committees of the Board

The committees of the Board (“Committees”) shall consist of the Standing Committees described in Section 8.3 below and any Advisory Committees established under Section 8.4 below. Except as provided in these Bylaws or in any resolution establishing a Committee, (i) each Committee shall consist of two or more Directors, (ii) all members of any Committee shall serve at the discretion of the Board, and (c) the chair and members of each Committee shall be approved by the Board.

Section 8.2 Restrictions on the Authority of Committees.

Any Committee, to the extent provided in any resolution of the Board or in these Bylaws, may be given the authority of the Board except that no Committee may:

- (a) approve any action for which the California Nonprofit Corporation Law also requires approval of the Members;
- (b) fill vacancies on the Board or in any Committee which has the authority of the Board;
- (c) fix compensation of the Directors for serving on the Board or on any Committee;
- (d) amend or repeal Bylaws or adopt new Bylaws;
- (e) amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable;
- (f) create any other Committees or appoint the members of these Committees;

- (g) expend corporate funds to support a nominee for Director after more persons have been nominated than can be elected; or
- (h) approve any transaction (i) between the Corporation and one or more of its Directors or (ii) between the Corporation and any entity in which one or more of its Directors have a material financial interest.

Section 8.3

Standing Committees

The following shall be the Standing Committees of the Board:

8.3.1

Executive Committee.

- (a) The members of the Executive Committee shall be comprised of seven (7) Directors, unless a different number of Directors is established by the Board. The members of the Executive Committee shall be the Board Chair, the Board Vice Chair, the chair of the Finance Committee, and the chair of the Governance and Nominating Committee, with the remainder of the members being Directors approved by the Board.
- (b) The Executive Committee shall advise the Chair and the President with respect to the oversight of business and operations of the Corporation, shall make non-binding recommendations to the Board for its consideration, and shall take such action as the Executive Committee may deem necessary or appropriate. The Board Chair shall be the chair of the Executive Committee. A majority of the members of the Executive Committee shall constitute a quorum.
- (c) Subject to Section 8.1, all rights, privileges and powers conferred by law or by these Bylaws upon the Board shall be vested in the Executive Committee; provided that the Executive Committee shall exercise such rights, privileges, and powers only if timely action is required and it is not practical to hold a meeting of the Board.
- (d) The President shall be invited to attend and participate in all meetings of the Executive Committee, unless otherwise determined by the Board Chair. The Board Chair may invite other Directors to attend meetings of the Executive Committee when the expertise of such other Director or other considerations support such attendance.

8.3.2

Finance Committee:

- (a) The Finance Committee shall oversee the management of the Corporation's financial assets and financial records to the end that the Corporation manages its financial assets prudently and maintains accurate and current financial records. The Finance Committee shall review and recommend to the Board all aspects of any financing that the Corporation may seek and obtain. The Finance Committee shall report to the Board concerning all financial matters. The Finance Committee shall be responsible for overall direction and control of the finances of Corporation, including preparation of the annual budget, quarterly review of income and expenses, a review of sources of funding, and other financial matters. The Finance Committee will oversee risk management for the Corporation. The Finance Committee shall also be responsible for the investment of the Corporation's endowment and other funds (together with establishing and monitoring the Corporation's investment policies), and with the approval of the Board may establish a separate investment subcommittee.
- (b) The President, the Treasurer, and the Chair of the Audit Committee shall be invited to attend and participate in all meetings of the Finance Committee, unless otherwise determined by the chair of the Finance Committee. Additionally, the chair of the Finance Committee may invite other Directors or non-Directors to attend meetings of the Finance Committee when the expertise of such other persons or other considerations support such attendance.

8.3.3

Governance and Nominating Committee:

- (a) The Governance and Nominating Committee shall consist of not less than three (3) nor more than five (5) members. The members and chair of the Governance and Nominating Committee shall be appointed by the Board. The Committee shall be responsible for applying best practices in board governance for the Board to follow. The Committee shall oversee each step in the board building cycle which includes acquisition (identification, cultivation, and recruitment), contribution (orientation, involvement, education, and evaluation), and Board rotation process. In addition, the Governance and Nominating Committee shall address composition of the Board including Board

diversity, job descriptions for potential Board members, and plans for leadership transition. The Committee shall identify and recommend to the Board nominees to fill vacancies on the Board prior to the election of any such new Directors. Such recommendations shall be merely advisory and shall in no manner limit further nominations for Directors by the Board.

- (b) In addition, the Governance and Nominating Committee shall be responsible for recommending Officers of the Corporation to the Board prior to the election of any such Officers, including without limitation the Board Chair and Board Vice Chair.

Section 8.4 Nonprofit Integrity Act/Audit Committee

In any fiscal year in which the Corporation receives or accrues gross revenues of two million dollars or more (excluding grants from, and contracts for services with, governmental entities for which the governmental entity requires an accounting of the funds received), the Board shall (i) prepare annual financial statements using generally accepted accounting principles that are audited by an independent certified public accountant (“CPA”) in conformity with generally accepted auditing standards; (ii) make the audit available to the Attorney General and to the public on the same basis that the Internal Revenue Service Form 990 is required to be made available; and (iii) appoint an Audit Committee.

The Audit Committee may include non-Directors; however the Chair of the Audit Committee must be a Director.

The Audit Committee shall not include paid or unpaid staff or employees of the Corporation, including, if staff members or employees, the President or chief executive officer or the Treasurer or chief financial officer (if any). If there is a finance committee, members of the finance committee shall constitute less than 50% of the membership of the Audit Committee and the chair of the Audit Committee shall not be a member of the finance committee. Subject to the supervision of the Board, the Audit Committee shall:

- (a) make recommendations to the Board on the hiring and firing of the CPA;
- (b) confer with the CPA to satisfy Audit Committee members that the financial affairs of the Corporation are in order;
- (c) approve non-audit services by the CPA and ensure such services conform to standards in the Yellow Book issued by the United States Comptroller General; and
- (d) if requested by the Board, negotiate the CPA’s compensation on behalf of the Board.

Section 8.5 Advisory Committees.

The Board may create one or more Advisory Committees to serve at the pleasure of the Board. The members of such Advisory Committees shall include at least one Director, and may include non-Directors as provided by the Board resolution or charter adopted by the Board for such Advisory Committee. The Board shall appoint and discharge advisory committee members and the chair thereof except as may be otherwise set forth in any charter or resolution governing such Committee. All actions and recommendations of an advisory committee shall require ratification by the Board before being given effect.

Section 8.6 Meetings and Action of Board Committees

Meetings and action of Committees shall be governed by, and held and taken in accordance with, the provisions of Article 7 concerning meetings of Directors, with such changes in the context of Article 7 as are necessary to substitute the Committee and its members for the Board and its members, except as might be otherwise provided by any resolution or charter adopted by the Board with respect to any such Committee. The Board in its discretion may establish times for regular meetings of Committees and may call special meetings of any Committee. Minutes shall be kept of each meeting of any Committee with respect to any actions taken or recommendations made, and shall be filed with the records of the Corporation. The Committee shall report to the Board from time to time as the Board may require. The Board may adopt rules for the governance of any Committee not inconsistent with the provisions of these Bylaws. In the absence of rules adopted by the Board, the Committee may adopt such rules.

Section 8.7 Quorum Rules for Board Committees

A majority of the Committee members shall constitute a quorum for the transaction of Committee business, except to adjourn. A majority of the Committee members present, whether or not constituting a quorum,

may adjourn any meeting to another time and place. Every act taken or decision made by a majority of the Committee members present at a meeting duly held at which a quorum is present shall be regarded as an act of the Committee, subject to the provisions of the California Nonprofit Corporation Law relating to actions that require a majority vote of the entire Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Committee members, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 8.8 Revocation of Delegated Authority

The Board may, at any time, revoke or modify any or all of the authority that the Board has delegated to a Committee.

ARTICLE 9 OFFICERS

Section 9.1 Officers

The officers of the Corporation (“Officers”) shall be a President, a Board Chair, a Board Vice Chair, a Secretary, and a Treasurer or chief financial officer or both. Other than the Board Chair and Board Vice Chair, these persons may, but need not be, selected from among the Directors. The Board shall have the power to designate additional Officers, including one or more vice presidents, who also need not be Directors, with such duties, powers, titles and privileges as the Board may fix, including such Officers as may be appointed in accordance with Section 9.6.6. Any number of offices may be held by the same person, except that the Secretary, the Treasurer and the chief financial officer (if any) may not serve concurrently as either the President or the Board Chair.

Section 9.2 Election of Officers

The Officers shall be elected by the Board from time to time for terms of one year and shall serve at the discretion of the Board until their successor shall be elected, or their earlier resignation or removal. Provided, however, that the Board Chair may serve no more than three (3) consecutive full or partial terms, and may not be re-elected to be Board Chair until at least one (1) year has passed since the expiration or termination of any previous term. Provided, however, that in special circumstances the Board by resolution may waive all or any part of the term limits described in this paragraph on a year-by-year basis for purposes of leadership development or continuity.

Section 9.3 Removal of Officers

Subject to the rights, if any, of an Officer under any contract of employment, any Officer may be removed, with or without cause, (i) by the Board, at any regular or special meeting of the Board, or (ii) by an Officer on whom such power of removal may be conferred by the Board.

Section 9.4 Resignation of Officers

Any Officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the Officer is a party.

Section 9.5 Vacancies in Offices

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office, provided that such vacancies shall be filled as they occur and not on an annual basis. In the event of a vacancy in any office other than the Board Chair or one appointed in accordance with Section 9.6.6 such vacancy shall be filled temporarily by appointment by the Board Chair, or if none, by the President, and the appointee shall remain in office for 60 days, or until the next regular or special meeting of the Board, whichever comes first. Thereafter, the position can be filled only by action of the Board.

The names of any Directors so appointed by the Board shall be brought before the Members at the next Annual Member meeting, and the Members shall vote upon whether they approve such Director completing the term to which such Director was appointed. If such vote is in the affirmative, such Director shall continue with such term; however, if such vote is in the negative, a vacancy shall be deemed to immediately have

occurred, and such director shall be replaced by vote of the Members at such meeting or in accordance with the provisions of Section 7.4 regarding vacancies on the Board.

Section 9.6 Responsibilities of Officers

9.6.1 Board Chair

The chair of the Board (the “Board Chair”) shall be a Director and shall preside at meetings of the Board and exercise and perform such other powers and duties as may from time to time be assigned to them by the Board or prescribed by these Bylaws.

9.6.2 President

The president of the Corporation (the “President”) shall be chief executive officer and general manager of the Corporation, and subject to the control of the Board, shall supervise, direct and control the Corporation's day-to-day activities, business and affairs. The President may also be referred to as the “chief executive officer” or “executive director.” The President shall be empowered to hire, supervise and fire all of the employees of the Corporation, under such terms and having such job responsibilities as the President shall determine in their sole discretion, subject to the rights, if any, of the employee under any contract of employment. The President may delegate their responsibilities and powers, subject to the control of the Board. The President shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

9.6.3 Vice President(s)

If one or more vice presidents of the Corporation are elected by the board, the highest-ranking vice president shall, in the absence or disability of the President, perform all the duties of the President and, when so acting, have all the powers of and be subject to all the restrictions upon, the President. the vice president(s) shall have such other powers and perform such other duties as may be prescribed by the Board.

9.6.4 Secretary

The secretary of the Corporation (the “Secretary”) shall attend to the following:

- (a) The Secretary shall certify and keep or cause to be kept at the principal office of the Corporation the original or a copy of these Bylaws as amended to date.
- (b) The Secretary shall keep or cause to be kept a minute book as described in Section 12.1.
- (c) The Secretary shall give, or cause to be given, notice of all meetings of the Board in accordance with these Bylaws.
- (d) Upon request, the Secretary shall exhibit or cause to be exhibited at all reasonable times to any Member, to any Director, or to an agent or attorney for such Member or Director, these Bylaws and the minute book.
- (e) The Secretary shall keep or cause to be kept the seal of the Corporation, if any, in safe custody, and shall have such other powers and perform such other duties incident to the office of Secretary as may be prescribed by the Board or these Bylaws.

9.6.5 Treasurer

The treasurer of the Corporation (the “Treasurer”) shall attend to the following:

- (a) The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books of account shall be open to inspection by any Director at all reasonable times.
- (b) The Treasurer shall prepare, or cause to be prepared, and certify, or cause to be certified, the financial statements to be included in any required reports.
- (c) The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board; shall disburse, or cause to be disbursed, the funds of the Corporation as may be ordered by the Board;

shall render, or cause to be rendered to the President and Directors, whenever they request it, an account of all of their transactions as Treasurer and of the financial condition of the Corporation; and shall have other powers and perform such other duties incident to the office of Treasurer as may be prescribed by the Board or these Bylaws.

- (d) If required by the Board, the Treasurer shall give the Corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of their office and for restoration to the Corporation of all its books, papers, vouchers, money, and other property of every kind in their possession or under his control on their death, resignation, retirement, or removal from office.

9.6.6 Additional Officers

The Board may appoint or remove such other Officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Board from time to time may determine.

Section 9.7 Compensation of Officers

9.7.1 Salaries Fixed by Board

The salaries of Officers, if any, shall be fixed from time to time by resolution of the Board or by the person or Committee to whom the Board has delegated this function, and no Officer shall be prevented from receiving such salary by reason of the fact that they are also a Director, provided, however, that such compensation paid to a Director for serving as an Officer shall only be allowed if permitted under the provisions of Section 7.15. In all cases, any salaries received by Officers shall be reasonable and given in return for services actually rendered for the Corporation which relate to the performance of the public benefit purposes of the Corporation. No salaried Officer serving as a Director shall be permitted to vote on their own compensation as an Officer.

9.7.2 Fairness of Compensation

The Board shall periodically review the fairness of compensation, including benefits, paid to every person, regardless of title, with powers, duties, or responsibilities comparable to the president, chief executive officer, treasurer, or chief financial officer (i) once such person is hired, (ii) upon any extension or renewal of such person's term of employment, and (iii) when such person's compensation is modified (unless substantially all employees are subject to the same general modification of compensation).

ARTICLE 10 TRANSACTIONS BETWEEN CORPORATION AND DIRECTORS OR OFFICERS

Section 10.1 Transactions with Directors and Officers

10.1.1 Interested Party Transactions

Except as described in Section 10.1.2, the Corporation shall not be a party to any transaction:

- (a) in which one or more of its Directors or Officers has a material financial interest, or
- (b) with any corporation, firm, association, or other entity in which one or more Directors or Officers has a material financial interest.

10.1.2 Requirements to Authorize Interested Party Transactions

The Corporation shall not be a party to any transaction described in 10.1.1 unless:

- (a) the Corporation enters into the transaction for its own benefit;
- (b) the transaction is fair and reasonable to the Corporation at the time the transaction is entered into;
- (c) prior to consummating the transaction or any part thereof, the Board authorizes or approves the transaction in good faith, by a vote of a majority of Directors then in office (without counting the vote of the interested Directors), and with knowledge of the material facts concerning the transaction and the interested Director's or Officer's financial interest in the transaction;

- (d) prior to authorizing or approving the transaction, the Board considers and in good faith determines after reasonable investigation that the Corporation could not obtain a more advantageous arrangement with reasonable effort under the circumstances; and
- (e) the minutes of the Board meeting at which such action was taken reflect that the Board considered and made the findings described in paragraphs (a) through (d) of this Section 10.1.2.

10.1.3 Material Financial Interest

A Director or Officer shall not be deemed to have a “material financial interest” in a transaction:

- (a) that fixes the compensation of a Director as a Director or Officer;
- (b) if the contract or transaction is part of a public or charitable program of the Corporation and it (1) is approved or authorized by the Corporation in good faith and without unjustified favoritism, and (2) results in a benefit to one or more Directors or their families only because they are in the class of persons intended to be benefited by the program; or
- (c) where the interested Director has no actual knowledge of the transaction and it does not exceed the lesser of one percent of the gross receipts of the Corporation for the preceding year or \$100,000.

Section 10.2 Loans to Directors and Officers

The Corporation shall not make any loan of money or property to or guarantee the obligation of any Director or Officer, unless approved by the Attorney General; except that, however, the Corporation may advance money to a Director or Officer for expenses reasonably anticipated to be incurred in the performance of duties of such Director or Officer, if in the absence of such advance, such Director or Officer would be entitled to be reimbursed for such expenses by the Corporation.

Section 10.3 Interlocking Directorates

No contract or other transaction between the Corporation and any corporation, firm or association of which one or more Directors are directors is either void or voidable because such Director(s) are present at the Board or Committee meeting that authorizes, approves or ratifies the contract or transaction, if (i) the material facts as to the transaction and as to such Director’s other directorship are fully disclosed or known to the Board or Committee, and the Board or Committee authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient without counting the vote of the common Director(s) (subject to the quorum provisions of Article 7); or if (ii) the contract or transaction is just and reasonable as to the Corporation at the time it is authorized, approved or ratified.

Section 10.4 Duty of Loyalty; Construction with Article 11

Nothing in this ARTICLE 10 shall be construed to derogate in any way from the absolute duty of loyalty that every Director and Officer owes to the Corporation. Furthermore, nothing in this ARTICLE 10 shall be construed to override or amend the provisions of Article 11. All conflicts between the two articles shall be resolved in favor of Article 11.

ARTICLE 11 INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

Section 11.1 Definitions

For purpose of this Article 11,

11.1.1 “Agent”

means any person who is or was a Director, Officer, employee, or other agent of the Corporation, or is or was serving at the request of the Corporation as a Director, Officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, or was a Director, Officer, employee, or agent of a foreign or domestic corporation that was a predecessor corporation of the Corporation or of another enterprise at the request of the predecessor corporation;

11.1.2 “Proceeding”

means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative; and

11.1.3 “Expenses”

includes, without limitation, all attorneys’ fees, costs, and any other expenses reasonably incurred in the defense of any claims or proceedings against an Agent by reason of their position or relationship as Agent and all attorneys’ fees, costs, and other expenses reasonably incurred in establishing a right to indemnification under this Article 11.

Section 11.2 Applicability of Indemnification Provisions

11.2.1 Successful Defense by Agent

To the extent that an Agent has been successful on the merits in the defense of any proceeding referred to in this Article 11, or in the defense of any claim, issue, or matter therein, the Agent shall be indemnified against expenses actually and reasonably incurred by the Agent in connection with the claim.

11.2.2 Settlement or Unsuccessful Defense by Agent

If an Agent either settles any proceeding referred to in this Article 11, or any claim, issue, or matter therein, or sustains a judgment rendered against them, then the provisions of Section 11.3 through Section 11.6 shall determine whether the Agent is entitled to indemnification.

Section 11.3 Actions Brought by Persons Other than the Corporation

This Section 11.3 applies to any proceeding other than an action “by or on behalf of the Corporation” as defined in Section 11.4. Such proceedings that are not brought by or on behalf of the Corporation are referred to in this Section 11.3 as “Third Party proceedings.”

11.3.1 Scope of Indemnification in Third Party Proceedings

Subject to the required findings to be made pursuant to Section 11.3.2, the Corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any Third Party proceeding, by reason of the fact that such person is or was an Agent, for all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with the proceeding.

11.3.2 Required Standard of Conduct for Indemnification in Third Party Proceedings

Any indemnification granted to an Agent in Section 11.3.1 above is conditioned on the following. The Board must determine, in the manner provided in Section 11.5, that the Agent seeking reimbursement acted in good faith, in a manner they reasonably believed to be in the best interest of the Corporation, and, in the case of a criminal proceeding, they must have had no reasonable cause to believe that their conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or on a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that the person did not act in good faith or in a manner they reasonably believed to be in the best interest of the Corporation or that they had reasonable cause to believe that their conduct was unlawful.

Section 11.4 Action Brought by or on Behalf of the Corporation

This Section 11.4 applies to any proceeding brought (i) by or in the right of the Corporation, or (ii) by an Officer, Director or person granted relator status by the Attorney General, or by the Attorney General, on the ground that the defendant Director was or is engaging in self-dealing within the meaning of Section 5233 of the California Nonprofit Corporation Law, or (iii) by the Attorney General or person granted relator status by the Attorney General for any breach of duty relating to assets held in charitable trust (any such proceeding is referred to in these Bylaws as a proceeding “by or on behalf of the Corporation”).

11.4.1 Scope of Indemnification in Proceeding by or on Behalf of the Corporation

Subject to the required findings to be made pursuant to Section 11.4.2, and except as provided in Sections 11.4.3 and 11.4.4, the Corporation may indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding by or on behalf of the Corporation, by reason of the fact that such person is or was an Agent, for all expenses actually and reasonably incurred in connection with the defense or settlement of such action.

11.4.2 Required Standard of Conduct for Indemnification in Proceeding by or on Behalf of the Corporation

Any indemnification granted to an Agent in Section 11.4.1 is conditioned on the following. The Board must determine, in the manner provided in Section 11.5, that the Agent seeking reimbursement acted in good faith,

in a manner they believed to be in the best interest of the Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

11.4.3 Claims Settled Out of Court

If any Agent settles or otherwise disposes of a threatened or pending action brought by or on behalf of the Corporation, with or without court approval, the Agent shall receive no indemnification for amounts paid pursuant to the terms of the settlement or other disposition. Also, in cases settled or otherwise disposed of without court approval, the Agent shall receive no indemnification for expenses reasonably incurred in defending against the proceeding, unless the proceeding is settled with the approval of the Attorney General.

11.4.4 Claims and Suits Awarded Against Agent

If any Agent is adjudged to be liable to the Corporation in the performance of the Agent's duty to the Corporation, the Agent shall receive no indemnification for amounts paid pursuant to the judgment, and any indemnification of such Agent under Section 11.4.1. for expenses actually and reasonably incurred in connection with the defense of that action shall be made only if both of the following conditions are met:

- (a) The determination of good faith conduct required by Section 11.4.2 must be made in the manner provided for in Section 11.5; and
- (b) Upon application, the court in which the action was brought must determine that, in view of all of the circumstances of the case, the Agent is fairly and reasonably entitled to indemnity for the expenses incurred. If the Agent is found to be so entitled, the court shall determine the appropriate amount of expenses to be reimbursed.

Section 11.5 Determination of Agent's Good Faith Conduct

The indemnification granted to an Agent in Section 11.3 and Section 11.4 is conditioned on the findings required by those Sections being made by:

- (a) the Board by a majority vote of a quorum consisting of Directors who are not parties to the proceeding; or
- (b) the court in which the proceeding is or was pending. Such determination may be made on application brought by the Corporation or the Agent or the attorney or other person rendering a defense to the Agent, whether or not the application by the Agent, attorney, or other person is opposed by the Corporation.

Section 11.6 Limitations

No indemnification or advance shall be made under this Article 11, except as provided in 11.2.1 or Section 11.5(b), in any circumstances when it appears:

- (a) that the indemnification or advance would be inconsistent with a provision of the Articles of Incorporation, as amended, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or
- (b) that the indemnification would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 11.7 Advance of Expenses

Expenses incurred in defending any proceeding may be advanced by the Corporation before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the Agent to repay the amount of the advance unless it is determined ultimately that the Agent is entitled to be indemnified as authorized in this Article 11.

Section 11.8 Contractual Rights of Non-Directors and Non-Officers

Nothing contained in this Article 11 shall affect any right to indemnification to which persons other than Directors and Officers of the Corporation, or any of its subsidiaries, may be entitled by contract or otherwise.

Section 11.9 Insurance

The Board may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any Agent, as defined in this Article 11, against any liability asserted against or incurred by any Agent in such capacity or arising out of the Agent's status as such, whether or not the Corporation would have the power to indemnify the Agent against the liability under the provisions of this Article 11.

ARTICLE 12 CORPORATE RECORDS, REPORTS AND SEAL

Section 12.1 Minute Book

The Corporation shall keep a minute book in written form which shall contain a record of all actions by the Board or any committee including (i) the time, date and place of each meeting; (ii) whether a meeting is regular or special and, if special, how called; (iii) the manner of giving notice of each meeting and a copy thereof; (iv) the names of those present at each meeting of the Board or any Committee thereof; (v) the minutes of all meetings; (vi) any written waivers of notice, consents to the holding of a meeting or approvals of the minutes thereof; (vii) all written consents for action without a meeting; (viii) all protests concerning lack of notice; and (ix) formal dissents from Board actions.

Section 12.2 Books and Records of Account

The Corporation shall keep adequate and correct books and records of account. "Correct books and records" includes, but is not necessarily limited to: accounts of properties and transactions, its assets, liabilities, receipts, disbursements, gains, and losses.

Section 12.3 Articles of Incorporation and Bylaws

The Corporation shall keep at its principal office, the original or a copy of the Articles of Incorporation and Bylaws as amended to date.

Section 12.4 Maintenance and Inspection of Federal Tax Exemption Application and Annual Information Returns

The Corporation shall at all times keep at its principal office a copy of its federal tax exemption application and, for three years from their date of filing, its annual information returns. These documents shall be open to public inspection and copying to the extent required by the Code.

Section 12.5 Annual Report; Statement of Certain Transactions

The Board shall cause an annual report to be sent to the Members and to each Director within 120 days after the close of the Corporation's fiscal year containing the following information:

- (a) The assets and liabilities of the Corporation as of the end of the fiscal year;
- (b) The principal changes in assets and liabilities, including trust funds, during the fiscal year;
- (c) The revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes, for this fiscal year;
- (d) The expenses or disbursements of the Corporation for both general and restricted purposes during the fiscal year;
- (e) A statement of any transaction (i) to which the Corporation, its parent, or its subsidiary was a party, (ii) which involved more than \$50,000 or which was one of a number of such transactions with the same person involving, in the aggregate, more than \$50,000, and (iii) in which either of the following interested persons had a direct or indirect material financial interest (a mere common directorship is not a financial interest):
 - (1) Any Director or Officer of the Corporation, its parent, or its subsidiary;
 - (2) Any holder of more than 10% of the voting power of the Corporation, its parent, or its subsidiary.

The statement shall include: (i) a brief description of the transaction; (ii) the names of interested persons involved; (iii) their relationship to the Corporation; (iv) the nature of their interest in the transaction; and (v) when practicable, the amount of that interest, provided that, in the case of a partnership in which such person is a partner, only the interest of the partnership need be stated.

- (f) A brief description of the amounts and circumstances of any loans, guaranties, indemnifications, or advances aggregating more than \$10,000 paid during the fiscal year to any Officer or Director under ARTICLE 10 or ARTICLE 11.

Section 12.6 Rights of Inspection

- (a) Every Director shall have the absolute right at any reasonable time to inspect the books, records, documents of every kind, and physical properties of the Corporation and each of its subsidiaries. The inspection may be made in person or by the Director's agent or attorney. Such right of inspection includes the right to copy and make extracts of documents.
- (b) Members shall have such inspection rights as are provided by law.

Section 12.7 Corporate Seal

The corporate seal, if any, shall be in such form as may be approved from time to time by the Board. Failure to affix the seal to corporate instruments, however, shall not affect the validity of any such instrument.

ARTICLE 13 EXECUTION OF INSTRUMENTS, DEPOSITS AND FUNDS

Section 13.1 Execution of Instruments

The Board, except as otherwise provided in these Bylaws, may by resolution authorize any Officer or agent of the Corporation to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances. Unless so authorized, no Officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable monetarily for any purpose or in any amount.

Section 13.2 Checks and Notes

Except as otherwise specifically determined by resolution of the Board, or as otherwise required by law, checks, drafts, promissory notes, orders for the payment of money, and other evidence of indebtedness of the Corporation shall be signed by the Treasurer and countersigned by the President.

Section 13.3 Deposits

All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board may select.

Section 13.4 Gifts

The Board may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the charitable or public purposes of the Corporation.

ARTICLE 14 CONSTRUCTION AND DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions of California Nonprofit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both the Corporation and a natural person. All references to statutes, regulations and laws shall include any future statutes, regulations and laws that replace those referenced.

ARTICLE 15 AMENDMENTS

Section 15.1 Amendment to the Bylaws

Amendments to these Bylaws may be adopted by the Members or by the Board. Members may adopt amendments with the vote of a majority of the total number of Members voting, so long as a quorum is present. Directors may adopt amendments, so long as a quorum as provided by Section 7.9.1, is present or with the unanimous written consent of the Board; provided that the Board may not amend the Bylaws if the amendment would materially and adversely affect the voting rights of the Members.