

## **CHAPTER 5**

# **CALIFORNIA MODEL BYLAWS FOR A NONPROFIT NONMEMBERSHIP CORPORATION**

**[California model bylaws for a  
nonprofit nonmembership corporation,  
directors self perpetuating]**

**Please note:** This document contains blanks to be filled in, alternative provisions and comments and instructions. Do not adopt this document as your bylaws without filling in the blanks, selecting among the alternate provisions, and deleting the comments and instructions.

BYLAWS  
OF

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**(A California Nonprofit Public Benefit Corporation)**

ARTICLE 1: NAME

The name of this corporation is \_\_\_\_\_.

ARTICLE 2: PURPOSES

This corporation has been formed for charitable purposes, to \_\_\_\_\_,  
\_\_\_\_\_, as stated in greater detail in Article II  
of this corporation's Articles of Incorporation.

In addition, this corporation is formed for the purposes of performing all things incidental to, or appropriate in, the achievement of the foregoing specific and primary purposes. However, the corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of its primary charitable purposes.

This corporation shall hold and may exercise all such powers as may be conferred upon a nonprofit corporation by the laws of the State of California and as may be necessary or expedient for the administration of the affairs and attainment of the purposes of the corporation. In no event shall the corporation engage in activities which are not permitted to be carried on by a corporation exempt under Section 501(c)(3) of the Internal Revenue Code.

### ARTICLE 3: PRINCIPAL OFFICE

The initial principal office of the corporation shall be located in the City of \_\_\_\_\_, County of \_\_\_\_\_, State of California. The Board of Directors may at any time, or from time to time, change the location of the principal office from one location to another within said city and county.

The Board of Directors may at any time establish branch offices at any place where the corporation is qualified to do business.

### ARTICLE 4: NONPARTISAN ACTIVITIES

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

### ARTICLE 5: DEDICATION OF ASSETS

The properties and assets of this nonprofit corporation are irrevocably dedicated to charitable purposes. No part of the net earnings, properties, or assets of this corporation, on dissolution or otherwise, shall inure to the benefit of any private person or individual, or any member, director or officer of this corporation. On liquidation or dissolution, all remaining properties and assets of the corporation shall be distributed and paid over to an organization dedicated to charitable purposes which has established its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

### ARTICLE 6: MEMBERSHIP

The corporation shall not have any members within the meaning of Section 5056 of the California Corporations Code. The corporation may from time to time use the term "members" to refer to persons associated with it, but such persons shall not be members within the meaning of Section 5056 of the California Corporations Code.

### ARTICLE 7: BOARD OF DIRECTORS

Section 1. Powers. Subject to the provisions and limitations of the 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 the Board of Directors. The Board of Directors may delegate the management of the day-to-day operation of the

business of the corporation to a management company, committee (**however composed**), or other person, 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 of Directors.

Section 2. Number of Directors. Initially, a \_\_\_\_ ( ) member Board of Directors shall govern this corporation. As of the date of the first annual meeting of the directors, the authorized number of directors shall be \_\_\_\_ ( ). The number of directors may be changed by amendment or revision of these bylaws, or by repeal of these bylaws and adoption of new bylaws.

**OR (Alternative Provision)**

The authorized number of directors of the corporation shall not be less than \_\_\_\_ ( ) nor more than \_\_\_\_ ( ), until changed by amendment of the Articles of Incorporation or these bylaws. The Board of Directors shall fix the exact number of directors from time to time, within these limits. Until changed by the Board, the authorized number of directors shall be \_\_\_\_ ( ).

Section 3. Election, Designation, and Term of Office of Directors. The initial Board of Directors shall [chosen by the incorporator to] serve until their successors have been elected and seated at the first annual meeting of the directors. Except for the initial directors, the Board of Directors shall elect the directors.

At the first annual meeting, the directors shall be divided into two (2) approximately equal groups and designated to serve one (1) or two (2) year terms by a random method determined by the Board of Directors. Thereafter, the term of office of each director shall be two (2) years. If any annual meeting is not held or the directors are not appointed at the annual meeting, the directors may be appointed at any meeting of the Board.

Each director, including a director elected to fill a vacancy, shall hold office until expiration of the term for which elected and until a successor has been elected and qualified. Directors may serve any number of consecutive terms.

**OR (Alternative Provision)**

Directors may not serve more than three (3) consecutive two-year terms.

The corporation intends that the Board of Directors shall collectively represent a diversity of relevant backgrounds and skills to enable the Board of Directors to make informed, well-balanced decisions on the economic viability and social impact of corporate activities.

**[Add other qualifications as appropriate.]**

Section 4. Vacancies. A vacancy on the Board shall exist on the occurrence of the following: (a) the death, resignation, or removal of any director; (b) the declaration by

resolution of the Board of a vacancy in the office of a director who has been declared of unsound mind by a final order of court, convicted of a felony, or found by final order or judgment of any court to have breached a duty under Sections 5230-5239 of the Law dealing with standards of conduct for a director, or has missed three (3) consecutive meetings of the Board of Directors or a total of four (4) meetings of the Board during any one calendar year; (c) an increase in the authorized number of directors; or (d) the failure of the directors, at any annual or other meeting of directors at which any director or directors are to be elected, to elect the full authorized number of directors.

The Board of Directors, by affirmative vote of a majority of the directors then in office, may remove any director without cause at any regular or special meeting; provided that the director to be removed has been notified in writing in the manner set forth in Article 7, Section 5, that such action would be considered at the meeting.

Except as provided in this paragraph, any director may resign effective upon giving written notice to the chairperson of the Board, the president, the secretary, or the Board of Directors, unless the notice specifies a later time for the effectiveness of the resignation. If the resignation is effective at a future time, a successor may be designated to take office when the resignation becomes effective. Unless the California Attorney General is first notified, no director may resign when the corporation would then be left without a duly elected director in charge of its affairs.

Vacancies on the Board may be filled by vote of a majority of the directors then in office, whether or not the number of directors then in office is less than a quorum, or by vote of a sole remaining director. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

Section 5. Meetings. The Board of Directors shall hold an annual meeting in \_\_\_\_\_ of each year for the purpose of electing directors and officers of the corporation and for the transaction of other business. Notice of the annual meeting shall be given in the manner set forth below. Other regular meetings shall be held at such times as are fixed by the Board of Directors. Such regular meetings may be held without notice. Meetings may be held at any place designated by resolution of the Board, or, if not designated, at the principal office of the corporation. Special meetings shall be held at any place designated in the notice of the meeting or, if not stated in the notice or if there is no notice, at the principal office of the corporation. Notwithstanding the above, any meeting may be held at any place consented to in writing by all the directors, either before or after the meeting. Consents shall be filed with the minutes of the meeting.

Any meeting may be held by conference telephone or other communications equipment permitted by the Law, as long as all directors participating in the meeting can communicate with one another and all other requirements of the Law are satisfied. All such directors shall be deemed to be present in person at such meeting.

Meetings of the Board for any purpose may be called at any time by the chairperson of the Board, the president, the secretary, or any two (2) directors. Notice of the date, time, and place of meetings shall be delivered personally to each director or communicated to each

director by telephone (**including a voice messaging system which records and communicates messages**), facsimile, or electronic mail at least forty-eight (48) hours prior to the meeting, or communicated by telegraph, express mail service, first-class mail, or by other means of written communication, charges prepaid, addressed to the director at the director's address as it is shown upon the records of the corporation, deposited in the mails or given to the telegraph company or express mail company or other carrier at least four (4) days before the date of the meeting. The notice need not specify the purpose of the meeting. Notice of a meeting need not be given to any director who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes of the meeting, whether before or after the meeting, or who attends the meeting without protesting, prior to the meeting or at its commencement, the lack of notice to such director. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 6. Action at a Meeting . Presence of a majority of the directors then in office or twenty percent (20%) of the authorized number of directors, whichever is greater, at a meeting of the Board of Directors constitutes a quorum for the transaction of business, except as otherwise provided in these Bylaws. Every act done or decision made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number, or the same number after disqualifying one or more directors from voting, is required by the Articles of Incorporation, these bylaws, or the Law. Directors may not vote by proxy. A meeting at which a quorum is initially present, including an adjourned meeting, may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a disinterested majority of the required quorum for such meeting, or such greater number as required by the Articles of Incorporation, these bylaws or the Law.

Section 7. Adjourned Meeting and Notice. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment. Such notice may be waived in the manner provided for in Article 7, Section 5.

Section 8. Action Without a Meeting . The Board of Directors may take any required or permitted action without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such directors. For purposes of this section only, "all members of the Board" does not include any "interested directors" as defined in Section 5233 of the Law.

Section 9. Fees and Compensation. Directors and members of committees may not receive any compensation for their services as such, but may receive reasonable reimbursement of expenses incurred in the performance of their duties, including advances as provided in Article 8, Section 2, as may be fixed or determined by resolution of the

Board of Directors. Directors may not be compensated for rendering services to this corporation in any capacity other than director, unless such compensation is reasonable and approved as provided in Article 8, Section 4.

## ARTICLE 8: STANDARD OF CARE

Section 1. General. A director shall perform the duties of a director, including duties as a member of any committee of the Board on which the director may serve, in good faith, in a manner such director believes to be in the best interest of this corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like situation would use under similar circumstances.

In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

- (a) One or more officers or employees of the corporation whom the director believes to be reliable and competent in the matters presented;
- (b) Counsel, independent accountants or other persons as to matters which the director believes to be within such person's professional or expert competence; or
- (c) A committee of the Board upon which the director does not serve, as to matters within its designated authority, which committee the director believes to merit confidence,

so long as in any such case, the director acts in good faith, after reasonable inquiry when the need therefore is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

Except as provided in Article 8, Section 3.B, a person who performs the duties of a director in accordance with the above shall have no liability based upon any failure or alleged failure to discharge that person's obligations as a director, including, without limiting the generality of the foregoing, any actions or omissions which exceed or defeat a public or charitable purpose to which the corporation, or assets held by it, are dedicated.

Section 2. Loans. This corporation shall not make any loan of money or property to, or guarantee the obligation of, any director or officer, unless approved by the California Attorney General; provided, however, that this corporation may advance money to a director or officer of this corporation or any subsidiary for expenses reasonably anticipated to be incurred in performance of the duties of such officer or director so long as such individual would be entitled to be reimbursed for such expenses absent that advance.

Section 3. Conflict of Interest. The purpose of the conflict of interest policy is to protect the

corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of one of its officers or directors, or that might otherwise result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable California and federal laws governing conflict of interest applicable to nonprofit and charitable corporations and is not intended as an exclusive statement of responsibilities.

#### A) *Definitions:*

Unless otherwise defined, the terms used in this section have the following meanings:

1. "Interested Persons" - Any director, principal officer, or member of a committee with governing Board delegated powers, which has a direct or indirect financial interest, as defined below, is an interested person.
2. "Financial Interest" - A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
  - (a) An ownership or investment interest in any entity with which the Corporation has a transaction or arrangement;
  - (b) A compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement; or
  - (c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the appropriate governing Board or committee decides that a conflict of interest exists.

#### B) *Procedures*

##### 1. Duty To Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors, who are considering the proposed transaction or arrangement.

## 2. Determining Whether A Conflict Of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, the interested person shall leave the Board meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board members shall decide if a conflict of interest exists.

## 3. Procedure For Addressing The Conflict Of Interest

In the event that the Board determines that a proposed transaction or arrangement presents a conflict of interest, the Board shall take the following actions:

- (a) An interested person may make a presentation at the Board meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- (b) The Chairperson of the Board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- (c) After exercising due diligence, the Board shall determine whether the Corporation can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- (d) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interest, for its own benefit, and whether it is fair and reasonable. It shall make its decision as to whether to enter into the transaction or arrangement in conformity with this determination.

## 4. Violations Of The Conflict Of Interest Policy

If the Board has reasonable cause to believe an interested person has failed to disclose actual or possible conflicts of interest, it shall inform the interested person of the basis for such belief and afford the interested person an opportunity to explain the alleged failure to disclose.

If, after hearing the interested person's response and after making further investigation as warranted by the circumstances, the Board determines the interested person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

## 5. Records And Procedures: The minutes of the Board and shall contain:

- (a) The names of the persons who disclosed or otherwise were found to have a

financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board's decision as to whether a conflict of interest in fact existed.

- (b) The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

## 6. Annual Statements

Each director, principal officer and member of a committee with Board-delegated powers shall annually sign a statement which affirms such person:

- (a) Has received a copy of the conflict of interest policy;
- (b) Has read and understands the policy;
- (c) Has agreed to comply with the policy; and
- (d) Understands the Corporation is charitable and in order to maintain its federal tax exemption it must engage primarily in activities, which accomplish one or more of its tax-exempt purposes.

## Section 4. Compensation.

### A) *Definitions:*

Unless otherwise defined, the terms below have the following meanings:

1. "Highest Compensated Employee" - Any employee of the Corporation, whose total compensation would require the employee to be listed in Part I of Schedule A of IRS Form 990, or in response to an equivalent question on any successor exempt organization annual return.
2. "Highest Compensated Independent Contractor" - Any independent contractor engaged by the Corporation, whose total compensation would require the contractor to be listed in Part II of Schedule A of IRS Form 990, or in response to an equivalent question on any successor exempt organization annual return.

B) No director, officer, Highest Compensated Employee or Highest Compensated Independent Contractor may receive compensation, directly or indirectly, from the Corporation unless such compensation is first determined by the disinterested directors, or an authorized committee thereof, to be just and reasonable to the corporation.

The names of the persons who were present for discussions and votes relating to the compensation arrangement, the content of the discussion, including any the information used to determine the reasonableness of the compensation, and a record of any votes taken in connection with the proceedings shall be maintained in the minutes of the Corporation.

The determination of reasonableness shall be based upon information about compensation paid by similarly situated organizations for similar services, current compensation surveys compiled by independent firms or actual written offers from similarly situated organizations. Similarly situated organizations may include both taxable and tax exempt organizations.

No director, principal officer, Highest Compensated Employee or Highest Compensated Independent Contractor, shall participate in the discussion and approval of his or her compensation, except that such persons may provide information to the disinterested directors as described in the conflict of interest policy above.

**[The California Non-Profit Integrity Act requires organizations that receive or accrue in any fiscal year gross revenues of \$2 million, or more (exclusive of grants from, and contracts for services with, governmental entities for which the governmental entity requires an accounting of the funds received) to review the Chief Executive Officer's and Treasurer's compensation upon the occurrence of certain events].**

Section 5. Compensation Review. The Board shall review the fairness of compensation, including benefits, paid to the Chairperson of the Board and the Treasurer upon the occurrence of the following events:

- (a) The officer is hired;
- (b) The officer's term of employment is extended or renewed; or
- (c) The officer's compensation is modified, unless such modification occurs pursuant to a general modification of compensation that extends to all employees.

Section 6. Periodic Reviews . Periodic reviews shall be conducted to ensure the Corporation operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status. The periodic reviews shall, at a minimum, include the following subjects:

- (a) Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining; and

- (b) Whether partnerships, joint ventures, and arrangements with management corporations conform to the Corporation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

When conducting the periodic reviews as provided for above, the Corporation may, but need not, use outside advisors. If outside experts are used their use shall not relieve the Board of its responsibility for ensuring that periodic reviews are conducted.

Section 7. Mutual Directors. No contract or transaction between the corporation and any California nonprofit public benefit corporation, of which one or more of its directors are directors of this corporation, is void or voidable because such director(s) are present at a meeting of the Board which authorizes, approves, or ratifies the contract or transaction if the material facts as to the transaction and as to such director's other directorship are fully disclosed or known to the Board and the Board authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient without counting the vote of the common director(s), or if the contract or transaction is just and reasonable as to the corporation at the time it is authorized, approved or ratified.

Section 8. Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons. An interested person is (1) any person currently being compensated by the corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director; and (2) 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. However, any violation of the provisions of this section shall not affect the validity or enforceability of any transaction entered into by the corporation.

Section 9. Indemnification. To the fullest extent permitted by law, this corporation shall indemnify its "agents", as described in Section 5238(a) of the Law, including its directors, officers, employees, and volunteers, and including persons formerly occupying any such position, and their heirs, executors, and administrators, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding, " as that term is used in said Section 5238(a), and including an action by or in the right of the corporation, by reason of the fact that the person is or was a person described in that Section. "Expenses" shall have the same meaning as in said Section. Such right of indemnification shall not be deemed exclusive of any other rights to which such persons may be entitled apart from this Article 8, Section 9.

To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification in defending any "proceeding" shall be advanced by the corporation before final disposition of the proceeding upon receipt by the corporation of an undertaking by or on behalf of that person to repay such amount unless it is ultimately determined that the person is entitled to be

indemnified by the corporation for those expenses.

The corporation shall have power to purchase and maintain insurance to the fullest extent permitted by law on behalf of any agent of the corporation, against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, or to give other indemnification to the extent permitted by law.

## ARTICLE 9: COMMITTEES

Section 1. Committees of Directors. The Board of Directors may, by resolution adopted by a majority of the directors then in office, provided that a quorum is present, designate one or more committees to exercise all or a portion of the authority of the Board, to the extent of the powers specifically delegated in the resolution of the Board or in these bylaws. Each such committee shall consist of two (2) or more directors, and may also include persons who are not on the Board, to serve at the pleasure of the Board. The Board may designate one or more alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the directors then in office, provided that a quorum is present. The Board of Directors may also designate one or more advisory committees that do not have the authority of the Board. However, no committee, regardless of Board resolution, may:

- (a) Approve any action that, under the Law, would also require the affirmative vote of the members if this were a membership corporation.
- (b) Fill vacancies on, or remove the members of, the Board of Directors or in any committee that 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 the Articles of Incorporation or bylaws or adopt new bylaws.
- (e) Amend or repeal any resolution of the Board of Directors that by its express terms is not so amendable or repealable.
- (f) Appoint any other committees of the Board of Directors or their members.
- (g) Approve a plan of merger; consolidation; voluntary dissolution; bankruptcy or reorganization; or for the sale, lease, or exchange of all or substantially all of the property and assets of the corporation otherwise than in the usual and regular course of its business; or revoke any such plan.
- (h) Approve any self-dealing transaction, except as provided by Section 5233 of the Law.

No committee shall bind the corporation in a contract or agreement or expend corporate funds, unless authorized to do so by the Board of Directors.

Section 2. Meetings and Actions of Committees. Meetings and actions of all committees shall be governed by, and held and taken in accordance with, the provisions of Article 7 of these bylaws, concerning meetings and actions of directors, with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the corporate records. The Board of Directors may adopt rules not inconsistent with the provisions of these bylaws for the government of any committee.

Section 3. Executive Committee. Pursuant to Article 9, Section 1, the Board may appoint an Executive Committee composed of three (3) or more directors, one of whom shall be the chairperson of the Board **[OR consisting of the chairperson of the Board, the vice chairperson, the secretary, and the treasurer]**, to serve as the Executive Committee of the Board. The Executive Committee, unless limited in a resolution of the Board, shall have and may exercise all the authority of the Board in the management of the business and affairs of the corporation between meetings of the Board; provided, however, that the Executive Committee shall not have the authority of the Board in reference to those matters enumerated in Article 9, Section 1. The secretary of the corporation shall send to each director a summary report of the business conducted at any meeting of the Executive Committee.

**[The California Non-Profit Integrity Act requires organizations that receive or accrue in any fiscal year gross revenues of \$2 million, or more (exclusive of grants from, and contracts for services with, governmental entities for which he governmental entity requires an accounting of the funds received) to review the Chief Executive Officer's and Treasurer's compensation upon the occurrence of certain events].**

Section 4. Audit Committee. The Board shall appoint an Audit Committee. Notwithstanding Article 9, Section 1, which shall otherwise govern the committee's operations, the committee may be comprised of one or more persons and may include persons other than directors of the corporation.

The membership of the Audit Committee shall not include the following persons;

- (a) The chairperson of the Board;
- (b) The treasurer of the corporation;

- (c) Any employee of the corporation; or
- (d) Any person with a material financial interest in any entity doing business with the corporation.

In the event that the Board appoints a Finance Committee, members of the Finance Committee must constitute less than one-half of the membership of the Audit Committee and the Chair of the Finance Committee shall not serve on the Audit Committee.

The Audit Committee shall make recommendations to the Board of Directors regarding the hiring and termination of an auditor, who shall be an independent certified public accountant, and may be authorized by the Board to negotiate the auditor's salary.

The Audit Committee shall confer with the auditor to satisfy its members that the corporation's financial affairs are in order, and shall review and determine whether to accept the audit.

In the event that the auditor's firm provides non-audit services to the corporation, the Audit Committee shall ensure that the auditor's firm adheres to the standards for auditor independence set forth in the latest revision of the Government Auditing Standards published by the Comptroller General of the United States, or any standards promulgated by the Attorney General of California.

## ARTICLE 10: OFFICERS

Section 1. Officers. The officers of the corporation shall consist of a chairperson, (**Chief Executive Officer**), vice chairperson, president (**executive director**), secretary and treasurer (**chief financial officer**), and such other officers as the Board may designate by resolution. The same person may hold any number of offices, except that neither the secretary nor the treasurer may serve concurrently as the chairperson of the Board or the president. In addition to the duties specified in this Article 10, officers shall perform all other duties customarily incident to their office and such other duties as may be required by law, by the Articles of Incorporation, or by these bylaws, subject to control of the Board of Directors, and shall perform such additional duties as the Board of Directors shall from time to time assign.

The officers shall be chosen by the Board at its annual meeting, and shall serve at the pleasure of the Board, subject to the rights, if any, of any officer under any contract of employment. Without prejudice to any rights of an officer under any contract of employment, any officer may be removed with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board of Directors, the chairperson of the Board, the president, or the secretary of the corporation, without prejudice, however, to the rights, if any, of the corporation under any contract to which such officer is a party. Any resignation shall take effect on the date of the receipt of such notice or at any later time specified in the resignation; and, unless otherwise specified in the resignation, the acceptance of the resignation shall not be necessary to make it effective. 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. The compensation, if any, of the officers shall be fixed or determined by resolution of the Board of Directors.

Section 2. Chairperson of the Board (Chief Executive Officer). The chairperson of the Board shall, when present, preside at all meetings of the Board of Directors and Executive Committee. The chairperson is authorized to execute in the name of the corporation all contracts and other documents authorized either generally or specifically by the Board to be executed by the corporation, except when by law the signature of the president is required.

Section 3. Vice Chairperson of the Board. The vice chairperson shall, in the absence of the chairperson, or in the event of his or her inability or refusal to act, perform all the duties of the chairperson, and when so acting shall have all the powers of, and be subject to all the restrictions on, the chairperson.

Section 4. President (Executive Director). Subject to the control, advice and consent of the Board of Directors, the president shall, in general, supervise and conduct the activities and operations of the corporation, shall keep the Board of Directors fully informed and shall freely consult with them concerning the activities of the corporation, and shall see that all orders and resolutions of the Board are carried into effect. Where appropriate, the Board of Directors shall place the president under a contract of employment. The president shall be empowered to act, speak for, or otherwise represent the corporation between meetings of the Board. The president shall be responsible for the hiring and firing of all personnel, and shall be responsible for keeping the Board informed at all times of staff performance and for implementing any personnel policies adopted by the Board. The president is authorized to contract, receive, deposit, disburse, and account for funds of the corporation; to execute in the name of the corporation all contracts and other documents authorized either generally or specifically by the Board to be executed by the corporation; and to negotiate all material business transactions of the corporation.

Section 5. Secretary. The secretary, or his or her designee, shall be custodian of all records and documents of the corporation which are to be kept at the principal office of the corporation, shall act as secretary of all the meetings of the Board of Directors, and shall keep the minutes of all such meetings in books proposed for that purpose. He or she shall attend to the giving and serving of all notices of the corporation, and shall see that the seal of the corporation is affixed to all documents, the execution of which on behalf of the corporation under its seal is duly authorized in accordance with the provisions of these bylaws.

Section 6. Treasurer. The treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business 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 treasurer shall deposit or cause to be deposited all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. The treasurer shall disburse or cause to be disbursed the funds of the corporation as may be ordered by the Board of Directors, and shall render to the chairperson, president and directors, whenever they request it, an account of all of the treasurer's transactions as treasurer and of the financial condition of the corporation.

If required by the Board of Directors, 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 the treasurer's office and for restoration to the corporation of all its books, papers, vouchers, money and other property of every kind in the treasurer's possession or under the treasurer's control on the treasurer's death, resignation, retirement, or removal from office. The corporation shall pay the cost of such bond.

## ARTICLE 11: EXECUTION OF CORPORATE INSTRUMENTS

Section 1. Execution of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers or other person or persons, to execute any corporate instrument or document, or to sign the corporate name without limitation, except when otherwise provided by law, and such execution or signature shall be binding upon the corporation.

Unless otherwise specifically determined by the Board of Directors or otherwise required by law, formal contracts of the corporation, promissory notes, deeds of trust, mortgages, and other evidences of indebtedness of the corporation, and other corporate instruments or documents, memberships in other corporations, and certificates of shares of stock owned by the corporation, shall be executed, signed, or endorsed by the chairperson of the Board, vice chairperson of the Board or the president and by the secretary or treasurer or any assistant secretary or assistant treasurer.

All checks and drafts drawn on banks or other depositories on funds to the credit of the corporation, or in special accounts of the corporation, shall be signed by such person or persons as the Board of Directors shall authorize to do so.

Section 2. Loans and Contracts. No loans or advances shall be contracted on behalf of the corporation and no note or other evidence of indebtedness shall be issued in its name unless and except as the specific transaction is authorized by the Board of Directors. Without the express and specific authorization of the Board, no officer or other agent of the corporation may enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation.

## ARTICLE 12: RECORDS AND REPORTS

Section 1. Maintenance and Inspection of Articles and Bylaws. The corporation shall keep at its principal office the original or a copy of its Articles of Incorporation and bylaws as

amended to date, which shall be open to inspection by the directors at all reasonable times during office hours.

Section 2. Maintenance and Inspection of Federal Tax Exemption Application and Annual Information Returns. The corporation shall keep at its principal office a copy of its federal tax exemption application and its annual information returns for three years from their date of filing, which shall be open to public inspection and copying to the extent required by law.

Section 3. Maintenance and Inspection of Other Corporate Records. The corporation shall keep adequate and correct books and records of accounts, and written minutes of the proceedings of the Board and committees of the Board. All such records shall be kept at such place or places designated by the Board of Directors, or, in the absence of such designation, at the principal office of the corporation. The minutes shall be kept in written or typed form, and other books and records shall be kept either in written or typed form or in any other form capable of being converted into written, typed, or printed form. Upon leaving office, each officer, employee, or agent of the corporation shall turn over to his or her successor or the chairperson or president, in good order, such corporate monies, books, records, minutes, lists, documents, contracts or other property of the corporation as have been in the custody of such officer, employee, or agent during his or her term of office.

Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts of documents.

**[The California Non-Profit Integrity Act requires organizations that receive or accrue in any fiscal year gross revenues of \$2 million, or more (exclusive of grants from, and contracts for services with, governmental entities for which the governmental entity requires an accounting of the funds received) to review the Chief Executive Officer's and Treasurer's compensation upon the occurrence of certain events].**

Section 4. Preparation of Annual Financial Statements. The corporation shall prepare annual financial statements using generally accepted accounting principles. Such statements shall be audited by an independent certified public accountant, in conformity with generally accepted accounting standards, under supervision of the Audit Committee established by these bylaws. The corporation shall make these financial statements available to the California Attorney General and members of the public for inspection no later than nine (9) months after the close of the fiscal year to which the statements relate.

Section 5. Reports. The Board shall cause an annual report to be sent to all directors, within 120 days after the end of the corporation's fiscal year, containing the following information:

- (a) The assets and liabilities, including the trust funds, of this corporation at the end of the fiscal year;

- (b) The principal changes in assets and liabilities, including trust funds, during the fiscal year;
- (c) The revenues or receipts of this corporation, both unrestricted and restricted for particular purposes, for the fiscal year;
- (d) The expenses or disbursements of this corporation for both general and restricted purposes during the fiscal year; and
- (e) The information required by Section 6322 of the Law concerning certain self dealing transactions involving more than \$50,000 or indemnifications involving more than \$10,000 which took place during the fiscal year.

The report shall be accompanied by any pertinent report of independent accountants, or, if there is no such report, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the books and records of the corporation.

#### ARTICLE 13: FISCAL YEAR

The fiscal year for this corporation shall begin on \_\_\_\_\_ and shall end on \_\_\_\_\_.

#### ARTICLE 14: AMENDMENTS AND REVISIONS

These bylaws may be adopted, amended or repealed by the vote of a majority of the directors then in office. Such action is authorized only at a duly called and held meeting of the Board of Directors for which written notice of such meeting, setting forth the proposed bylaw revisions with explanations therefore, is given in accordance with these bylaws, unless such notice is waived in accordance with these bylaws. If any provision of these bylaws requires the vote of a larger proportion of the Board than is otherwise required by law, that provision may not be altered, amended, or repealed except by that greater vote.

#### ARTICLE 15: CORPORATE SEAL

The Board of Directors may adopt, use, and alter a corporate seal. The seal shall be kept at the principal office of the corporation. Failure to affix the seal to any corporate instrument, however, shall not affect the validity of that instrument.

#### ARTICLE 16: CONSTRUCTION AND DEFINITIONS

Unless the context otherwise requires, the general provisions, rules of construction, and

definitions contained in the California Nonprofit Corporation Law as amended from time to time shall govern the construction of these bylaws. Without limiting the generality of the foregoing, the masculine gender includes the feminine and neuter, the singular number includes the plural and the plural number includes the singular, and the term "person" includes a corporation as well as a natural person. If any competent court of law shall deem any portion of these bylaws invalid or inoperative, then so far as is reasonable and possible (i) the remainder of these bylaws shall be considered valid and operative, and (ii) effect shall be given to the intent manifested by the portion deemed invalid or inoperative.

CERTIFICATE OF SECRETARY

I, the undersigned, certify that I am the currently elected and acting secretary of the \_\_\_\_\_, a California nonprofit public benefit corporation, and the above bylaws, consisting of \_\_\_\_ pages, are the bylaws of this corporation as adopted by the Board of Directors on \_\_\_\_\_, 20\_\_, and that they have not been amended or modified since that date.

Executed on \_\_\_\_\_, 20\_\_, at \_\_\_\_\_, California.

\_\_\_\_\_  
Secretary