



EXECUTIVE SUMMARY

DATE ISSUED: December 20, 2011

REPORT NO: HCR12-011

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of January 20, 2012

SUBJECT: Ratifying the Actions of HDP Mason Housing Corporation and Appoint Board Members

COUNCIL DISTRICT: Citywide

SUMMARY:

HDP Mason Housing Corporation is a nonprofit public benefit corporation recently established by Housing Development Partners of San Diego.

The bylaws state that the board of directors for HDP Mason Housing Corporation is composed of five members; two Commissioners of the San Diego Housing Commission ("Housing Commission") as designated by the Housing Commission; the President/Chief Executive Officer of the Housing Commission, sitting ex officio; and two at-large residents of the County of San Diego as designated by the Housing Commission. The intent is that the makeup of HDP Mason Housing Corporation's board of directors be identical to HDP's board of directors. Therefore, the incorporator appointed the following individuals as the initial directors of HDP Mason Housing Corporation: President/Chief Executive Officer Richard Gentry, sitting ex officio; Commissioner Roberta Spoon; Commission Chair Gary Gramling; and Mr. Robert Henderson.

Staff requests confirmation of the appointment of the initial directors by the incorporator. Staff further recommends that Mr. Sal Salas be appointed to the HDP Mason Housing Corporation's board of directors to fill the second at-large director position based on his experience with the Housing Commission and with real estate acquisition and development. Mr. Charles Davis, one of the recently sitting directors of HDP, has requested not to be considered for an at-large director's seat.

STAFF RECOMMENDATION:

1. That the Housing Commission Board of Commissioners ratify HDP Mason Housing Corporation's adoption of corporate bylaws as adopted on December 8, 2011, as the operative bylaws of HDP Mason Housing Corporation;
2. That the Housing Commission Board of Commissioners confirm the appointment of Commission Chair Gramling, Commissioner Spoon, President/Chief Executive Officer Mr. Gentry, and Mr. Henderson to the board of directors of HDP Mason Housing Corporation; and
3. That the Housing Commission Board of Commissioners appoint Mr. Salas as the second at-large member of HDP Mason Housing Corporation's board of directors.

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REQUESTED ACTION:

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2. Confirm appointment of Commission Chair Gary Gramling, Commissioner Roberta Spoon, President/Chief Executive Officer Mr. Richard Gentry, and Mr. Robert Henderson to HDP Mason Housing Corporation's governing board; and
3. Appoint Mr. Sal Salas as the second at-large member of HDP Mason Housing Corporation's board of directors.

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2. That the San Diego Housing Commission Board of Commissioners confirm the appointment of Commission Chair Gary Gramling, Commissioner Roberta Spoon, President/Chief Executive Officer Mr. Richard Gentry, and Mr. Robert Henderson to the board of directors of HDP Mason Housing Corporation; and
3. That the Housing Commission Board of Commissioners appoint Mr. Sal Salas as the second at-large members of HDP Mason Housing Corporation's board of directors.

SUMMARY:

HDP Mason Housing Corporation is a nonprofit public benefit corporation recently established by Housing Development Partners of San Diego. Its primary mission is to facilitate the acquisition and rehabilitation of the Mason Hotel, located at 1345 5th Avenue, for use as supportive housing for mentally disabled adults. On December 8, 2011, HDP Mason Housing Corporation conducted its initial meeting of the board of directors. HDP Mason Housing Corporation ratified the Articles of Incorporation and bylaws as adopted by the incorporator. The bylaws for HDP Mason Housing Corporation are attached hereto as Attachment No. 1.

The bylaws state that the board of directors for HDP Mason Housing Corporation is composed of five members; two Commissioners of the San Diego Housing Commission ("Housing Commission") as

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Ratifying Actions of HDP Mason Housing Corporation and Appointing Board Members

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designated by the Housing Commission; the President/Chief Executive Officer of the Housing Commission, sitting ex officio; and two at-large residents of the County of San Diego as designated by the Housing Commission. The intent is that the makeup of HDP Mason Housing Corporation's board of directors be identical to HDP's board of directors. Therefore, the incorporator appointed the following individuals as the initial directors of HDP Mason Housing Corporation:

President/Chief Executive Officer Richard Gentry, sitting ex officio
Commissioner Roberta Spoon
Commission Chair Gary Gramling
Robert Henderson

Staff requests confirmation of the appointment of the initial directors by the incorporator. Staff further recommends that Mr. Sal Salas be appointed to the HDP Mason Housing Corporation's board of directors to fill the second at-large director position based on his experience with the Housing Commission and with real estate acquisition and development. Mr. Charles Davis, one of the recently sitting directors of HDP, has requested not to be considered for an at-large director's seat.

ENVIRONMENTAL REVIEW:

This activity is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15060(c)(3) of the state CEQA guidelines (the activity is not a project as defined in Section 15378). This activity is determined to be exempt from review under the National Environmental Policy Act pursuant to Section 58.34(a)(3).

KEY STAKEHOLDERS & PROJECTED IMPACTS:

The key stakeholders of this action are the board of directors of HDP Mason Housing Corporation, the Housing Commission Board of Commissioners and the ownership partners and future residents of the Mason Hotel.

CONFLICT DISCLOSURE:

HDP Mason Housing Corporation is a 501(c)(3) non-profit corporation created to support the functions of the Housing Commission in developing affordable housing in the City of San Diego. Commissioners Gary Gramling and Roberta Spoon and the President & Chief Executive Officer of the Housing Commission, Richard Gentry, all serve as non-compensated directors of HDP Mason Housing Corporation. Commissioners Gramling and Spoon are not compensated for their service on the Housing Commission's Board of Commissioners. Commissioners Gramling and Spoon, and Mr. Gentry are subject to certain federal, state and local conflict of interest regulations that govern decisions and contracts made by public officials.

The California Political Reform Act (Government Code §87100 et seq.) generally prohibits public officials from making governmental decisions in which they have certain enumerated financial interests. No member of the board of directors for HDP Mason Housing Corporation or the Housing Commission Board of Commissioners is financially interested in HDP Mason Housing Corporation as defined in the Political Reform Act, because they are not compensated for their service to either of these bodies and because HDP Mason Housing Corporation is not operated for-profit. (Gov. C. §87103(d); §82005.)

California Government Code §1090 generally prohibits a public official from being financially interested in any contracts made in his/her official capacity, or by any body or board of which he/she is a member. Even though no contract is contemplated by this action, the activities of the Commissioners

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and President are not prohibited under Section 1090. The California Legislature has recognized certain situations in which the public official is not deemed interested in a contract. (Gov. C. §1091.5.) When the public official's only interest in a contract is that of a non-compensated member of a non-profit organization involved in the contract, the public official is deemed not to be interested in the contract provided that the interest is disclosed in the official records. (Gov. C. §1091.5(a)(7) and (a)(8).) Commissioners Gramling and Spoon are interested in HDP Mason Housing Corporation as members of its governing board, which interest is considered a "non-interest" for purposes of §1090. Commissioners Gramling and Spoon are not prohibited from making any contract between the Housing Commission and HDP Mason Housing Corporation in their official capacity as Commissioners. Mr. Gentry has the same non-interest in HDP Mason Housing Corporation pursuant to §1091.5(a)(7) and (a)(8) as a non-compensated director of HDP Mason Housing Corporation.

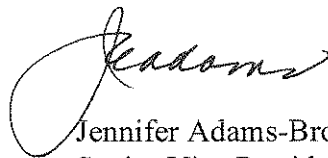
No Commissioner has a prohibited financial interest in HDP Mason Housing Corporation that would legally preclude their participation in a hearing on the matters presented in this Report, under the provisions of federal, state and local conflict of interest law. Furthermore, Commissioners Gramling and Spoon are legally entitled to vote and be counted for quorum purposes at any meeting of the Board of Commissioners discussing HDP Mason Housing Corporation. Mr. Gentry does not vote on matters before the Board of Commissioners, although he too has no conflict of interest under federal, state or local law.

Respectfully submitted,

Charles B. Christensen

Charles B. Christensen
General Counsel
San Diego Housing Commission

Approved by,



Jennifer Adams-Brooks
Senior Vice President
Administrative Services

Attachment: Bylaws of HDP Mason Housing Corporation

Copies available for review during business hours at the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101, Main Lobby and at the Office of the City Clerk, 202 C Street, San Diego, CA 92101.

BYLAWS

OF

HDP MASON HOUSING CORPORATION,

a California Nonprofit Public Benefit Corporation

Article I. NAME

Section 1.01 Name. The name of this corporation is HDP Mason Housing Corporation, a California nonprofit public benefit corporation (the "Corporation").

Article II. OFFICES

Section 2.01 Principal Office. The Corporation's principal office for the transaction of affairs and activities of the Corporation shall be fixed and located at such place within the City of San Diego as the Board of Directors (the "Board") shall determine. The Board is granted full power and authority to change the principal office from one location to another within the City of San Diego.

Section 2.02 Other Offices. Branch of subordinate offices may be established at any place or places by the Board at any time within the State of California.

Article III. PURPOSE

Section 3.01 Purpose. The Corporation is organized under the California Nonprofit Public Benefit Law for public and/or charitable purposes, and its specific purposes are: (i) to provide low and moderate income persons, elderly persons, and handicapped persons with affordable housing by acquiring or developing publicly financed low and moderate income housing and renting such housing to these persons; (ii) to provide low and moderate income persons, elderly persons, and handicapped persons with facilities and services related to housing; (iii) to take such other action, in cooperation with private and public persons or agencies, as may reasonably promote the cause of housing for low and moderate income persons, elderly persons and handicapped persons; and (iv) to serve as a general partner in a limited partnership which owns and operates housing for the benefit of low and moderate income persons, elderly persons, and handicapped persons who are in need of affordable, decent, safe and sanitary housing and related services, where no adequate housing exists for such groups. The Corporation and all of its businesses and other activities are to be operated and conducted in the promotion of its charitable purposes as specified in its Articles of Incorporation, and in the conduct of its affairs the management shall at all times be mindful of these charitable purposes. In the event that any provision of this Section 3.01 is inconsistent with any provision of the Articles of Incorporation, the provisions of the Articles of Incorporation of the Corporation shall prevail and be controlling.

Article IV. MEMBERSHIP

Section 4.01 Members. The Corporation shall have no members. Any action which would otherwise by law require approval by a majority of all members or approved by the members shall require only approval of the Board. All rights which would otherwise by law vest in members shall vest in the Board.

Article V. DIRECTORS

Section 5.01 Powers.

(a) General Corporate Powers. Subject to the limitations of the Articles of Incorporation and these Bylaws, the activities and affairs of the Corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of the Corporation to any person(s), a 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.

(b) Board's Ultimate Authority. No assignment, referral or delegation of the authority by the Board or anyone else shall preclude the Board from exercising the authority required to meet its responsibility for the conduct of the activities of the Corporation and the Board shall retain the right to rescind any such delegation.

Section 5.02 Number, Selection and Term of Directors.

(a) The number of directors shall be five (5) until changed by an amendment to these Bylaws.

(b) The Board shall be composed of:

1. Two Commissioners of the San Diego Housing Commission (the "Commission"), as designated by the Commission.
2. The President/Chief Executive Officer of the Commission.
3. Two at-large residents of the County of San Diego as designated by the Commission.

(c) The term of office of directors who hold office by virtue of their position as a Commissioner or as the President/Chief Executive Officer of the Commission shall expire at the time such person no longer holds their respective position. The successors to such directors shall assume office upon their designation by the Board or, in the case of the President/Chief Executive officer, upon the assumption of duties as such at the Commission. The at-large

directors designated by the Commission shall serve for a term of two (2) years, with the terms of the directors staggered.

Section 5.03 Resignation. Any director may resign at any time by giving written notice of such resignation to the president, the secretary or the Board, unless there would be no director left in charge of the corporation's affairs upon resignation by such director, in which case such director must first give notice to the Attorney General for the State of California of the intended resignation pursuant to the provisions of Section 5226 of the California Nonprofit Public Benefit Corporation Law. Such resignation shall take effect at the time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5.04 Vacancies.

(a) Events Causing Vacancy. A vacancy or vacancies on the Board shall be deemed to exist in the case of the death, resignation or removal of any director or if the authorized number of directors is increased. The Board may remove and declare vacant the office of a director who has been absent from three (3) or more consecutive meetings, whether regular or special, without having been excused by resolution; or has been declared of unsound mind by a final order of court; or convicted of a felony; or found by a final order or judgment of any court to have breached any duty of a director and/or standards of conduct set forth in Sections 5230 et seq. of the California Nonprofit Public Benefit Corporation Law.

(b) Filling Vacancies. Vacancies on the Board shall be filled in the same manner as the director whose office is vacant was selected. Each director so appointed shall hold office until the expiration of the term of the replaced director and until a successor has been appointed and qualified.

Section 5.05 Place of Meetings. Meetings of the Board may be held at the principal office of the Corporation or at any other place within or without the State of California which has been designated in the notice of the meeting. Notwithstanding anything to the contrary in these Bylaws, all meetings shall comply with the requirements of the Ralph M. Brown Act (California Government Code §54950 et seq.) (the "Brown Act").

Section 5.06 Annual Meetings. The Board shall hold an annual meeting for the purpose of organization, selection of offices, and the transaction of other businesses set forth on an agenda posted at its regular place to provide public notice as required by the Brown Act.

Section 5.07 Regular Meetings. Regular meetings of the Board, including the annual meeting, shall be held upon written notice given to all directors and the public as required by the Brown Act. No action or discussion may be undertaken at a regular meeting on any item not appearing on the posted agenda, except as provided in the Brown Act.

Section 5.08 Special Meetings.

(a) Authority. Special meetings of the Board for any purpose(s) may be called at any time by the president, the secretary or any two (2) directors.

(b) Notice. Notice of the date, time and place of special meetings of the Board shall be given to each director at least twenty-four (24) hours before the date and time of the meeting if delivered personally or by telephone, including a voice messaging system or other system of technology designated to record and communicate messages, facsimile, email or other electronic means, and at least four (4) days before the date of the meeting if given by first class mail, postage prepaid, addressed to the director at the address as it is shown upon the records of the Corporation, or if it is not so shown on such records, or is not readily ascertainable, at the place in which the meetings of the directors are regularly held. Whenever any directors has been absent from any meeting of the Board in entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such director as required by the California Nonprofit Corporation Law and these Bylaws.

(c) Action. Notice of special meetings shall specify the nature of the business to be transacted. No action or discussion may be undertaken at a special meeting on any item not appearing on the posted agenda, except as provided in the Brown Act.

Section 5.09 Conduct of Meetings. The president or chairperson, or in his or her absence, the vice president of the corporation, or in his or her absence, any other person chosen by a majority of the directors present shall be the chair of and preside over the meetings of the Board. The secretary of the Corporation shall act as the secretary of all meetings, provided that in his or her absence, the person chairing the meeting shall appoint another person to act as secretary of the meetings. The meetings shall be governed as the directors shall agree; in the absence of such agreement, Robert's Rules of Order, as may be amended from time to time, shall govern the meetings insofar as such rules are not inconsistent with or in conflict with these Bylaws, the Articles of Incorporation, or the law.

Section 5.10 Quorum. A majority of the directors then in office shall constitute a quorum. Except as provided in Article X (Amendments), every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is an act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the directors then in office.

Section 5.11 Participation in Meetings by Conference Telephone. As permitted by the Board, directors may participate in meetings of the Board through use of conference telephone or similar communications equipment, so long as the teleconferenced meeting or proceeds complies with all of the requirements of the Brown Act applicable to teleconferencing.

Section 5.12 Waiver of Notice. Notice of a meeting need not be given to any director who signs a waiver of notice or a written consent to holding the meeting or an approval of the minutes

thereof, whether before or after the meeting, or who attends the meeting without protesting the lack of notice to such director prior thereto or at its commencement. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

Section 5.13 Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any Board 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 to the directors who were not present at the time of the adjournment, and notice of the adjourned meeting shall be posted for public notice.

Section 5.14 No Action Without Meeting; Proxy Voting Prohibited. Any action required or permitted to be taken the Board shall be taken in a meeting and shall not be taken by written consent or otherwise. Voting by proxy shall not be permitted.

Section 5.15 Rights of Inspection. Every director shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents of every kind and to inspect the physical properties of the Corporation.

Section 5.16 Fees and Compensation. Directors shall not receive any compensation for their services as directors, however, the Board may approve the reimbursement of a director's actual and necessary expenses incurred in the conduct of the Corporation's business.

Section 5.17 Freedom from Liability. No director of this Corporation shall be personally liable for the debts, liabilities or obligations of the Corporation.

Section 5.18 Insurance. The Corporation may carry liability insurance with respect to the conduct of the Corporation's business by the directors.

Article VI. STANDARDS OF CONDUCT AND CONFLICTS OF INTEREST

Section 6.01 Standard of Conduct. Pursuant to Section 5231 of the California Nonprofit Public Benefit Corporation Law, a director shall perform the duties of a director, including duties as a member of any committee of the Board upon which the director may serve, in good faith, in a manner such director believes to be in the best interest of the Corporation and with such care, including reasonable inquiry, as an ordinary prudent person in a like position 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.

Section 6.02 Self-Dealing Transactions. Pursuant to Section 5233 of the California Nonprofit Corporation Law, the Corporation shall not be a party to a transaction in which one or more of its directors has a material financial interest ("Interested Director") unless:

(a) The Attorney General, or the court in an action in which the Attorney General is an indispensable party, has approved the transaction before or after it was consummated; or

(b) Prior to entering into the transaction, after full disclosure to the Board of all material facts regarding the proposed transaction and the Interested Director's interest, and after investigation and report to the Board as to alternative arrangements for the proposed transaction, if any, the Board in good faith and by a vote of a majority of the directors then in office (without including the vote of the Interested Director):

1. Resolves and finds that (i) the transaction is in the Corporation's best interest and for the Corporation's own benefit; (ii) the transaction is fair and reasonable as to the Corporation; and (iii) after reasonable investigation under the circumstances as to the alternatives, the Corporation could not have obtained a more advantageous arrangement with reasonable efforts under the circumstances; and

2. Approves the entire transaction. In the event that it is not reasonably practical to obtain approval of the Board prior to entering into such transaction, the Corporation may enter into such transaction if, prior to entering into said transaction, a committee or person authorized by the Board approves the transaction in a manner consistent with the procedure set forth in this section and the Board, after determining in good faith that the Corporation entered into the transaction for its own benefit and that the transaction was fair and reasonable as to the Corporation at the time it was entered into, ratifies the transaction at its next meeting by a vote of the majority of the directors then in office, without counting the vote of the Interested Director. In light of the forgoing limitations, all directors shall fill out an annual questionnaire dealing with this subject matter.

Section 6.03 Conflict of Interest Policy. The purpose of this conflict of interest policy is to protect the interests of the Corporation when the Corporation is contemplating entering into a transaction or arrangement that might benefit the private interest of an employee, officer or director of the Corporation or might result in a possible excess benefit transaction (i.e., a transaction that benefits a third party) as defined in Section 4958 of the Internal Revenue Code. This policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable organizations. This policy is further intended to supplement but not replace any conflict of interest policy enacted by the Corporation in compliance with state and/or local law, as approved the City of San Diego.

(a) Definitions.

1. "Interested Person" means any director, officer or member of a committee of the Board who has a direct or indirect Financial Interest, as defined below.

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. Under Section (b)(1), a person who has a Financial Interest may have a conflict of interest only if the Board or appropriate 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 and members of the committees with Board delegated powers 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, she/he shall leave the Board or committee meeting, as the case may be, while the determination of a conflict of interest is discussed and voted upon. The remaining directors or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest.

a. An Interested Person may make a presentation at the Board or committee meeting, but after the presentation, she/he 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 or committee with Board delegated powers 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 or committee with Board delegated powers 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 or committee with Board delegated powers 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 benefits, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy.

a. If the Board or committee with Board delegated powers has reasonable cause to believe an Interested Person has failed to disclose actual or possible conflicts of interests, 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.

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

(c) Records of Proceedings. The minutes of the meetings of the Board and all committees with Board delegated powers at which any conflict of interest was discussed, shall contain:

1. 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 or committee's decision as to whether a conflict of interest in fact existed.

2. 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.

(d) Annual Statements. Each director, officer and member of a Committee shall annually sign a statement which affirms that such person:

1. Has received a copy of this Conflicts of Interest Policy;
2. Has read and understand this policy;

3. Has agreed to comply with this policy; and
4. 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.

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

1. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
2. Whether partnerships, joint ventures and arrangements with management organizations conform to the Corporation's written policies, are properly recorded, reflect reasonable investments or payments for goods and services, further charitable purposes and do not result in private inurement, impermissible private benefit or in an excess benefit transaction.
3. When conducting the periodic reviews as provided in this Section 6.03(f), the Corporation may, but is not obligated to use outside experts. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.

Section 6.04 California Nonprofit Integrity Act. The Board shall cause the Corporation to comply at all times with the applicable provisions of the California Nonprofit Integrity Act of 2004 (California Government Code Section 12585 et seq.). If any provision of these Bylaws is in conflict with the provisions of the California Nonprofit Integrity Act of 2004, the California Nonprofit Integrity Act of 2004 shall control.

Article VII. COMMITTEES

Section 7.01 Board Committee. The Board may, by resolution, create one or more standing or ad hoc advisory committees for such tenure and such purposes as the Board may from time to time determine. Subject to Section 7.03, any committee shall be comprised of at least three (3) persons, at least one (1) but not more than two (2) of whom shall be a member(s) of the Board. All committees shall serve at the pleasure of the Board. Appointments to committees shall be by majority vote of the directors then in office. The president shall appoint the chairperson of each committee. Committees may recommend action to the Board, but no action may be taken at committee meetings except as specifically delegated by the Board.

Section 7.02 Meeting and Actions of Committees. No written notice is required for committee meetings so long as less than a majority of the Board members are members of such committee. Oral notice must be given to each committee member at least twenty-four (24) hours prior to the meeting.

Section 7.03 Audit Committee. The Audit Committee, if required pursuant to Section 11.05, may include persons who are not members of the Board excluding any persons who are members of the Corporation's staff, including the president and the chief financial officer (treasurer). If the Corporation has a finance committee, it must be separate from the Audit Committee. Members of the Financing Committee, if any, may serve on the Audit Committee; however, the chairperson of the Audit Committee may not be a member of the Finance Committee and the members of the Finance Committee shall constitute less than fifty percent (50%) of the membership of the Audit Committee. Members of the Audit Committee shall not receive any compensation from the Corporation in excess of the compensation, if any, received by members of the Board for service on the Board and shall not have a material financial interest in any entity doing business with the Corporation. Subject to the supervision of the Board, the Audit Committee shall be responsible for:

- (a) Recommending to the Board the retention and termination of the Corporation's independent auditor;
- (b) Negotiating the independent auditor's compensation on the Board's behalf;
- (c) Conferring with the auditor to satisfy the Audit Committee that the financial affairs of the Corporation are in order;
- (d) Reviewing and determining whether to accept the audit prepared by the independent auditor; and
- (e) Approving the performance by the independent auditor of any non-audit services to ensure that such services conform with the standards for auditor independence set forth in the latest revision of the Government Auditing Standards, issued by the Comptroller General of the United States.

Section 7.04 Prohibited Delegation of Authority. The Board shall not delegate to any committee any of the following authority:

- (a) The filling of vacancies on the Board or on any committee;
- (b) The fixing of compensation of the directors for serving on the Board or on any Committee;
- (c) The amendment or repeal of bylaws or the adoption of new bylaws;
- (d) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;
- (e) The appointment of other committees of the Board or the members thereof;
- (f) The expenditure of corporate funds to support a nominee for director after there are more people nominated for director than can be elected; or

(g) The approval of any self-dealing transaction, as such transactions are defined in Section 5233(a) of the California Nonprofit Corporate Law.

Article VIII. OFFICERS

Section 8.01 Officers. The officers of the Corporation shall be a president, vice president, secretary and a chief financial officer (treasurer). The Corporation may also have, at the discretion of the Board, a chairperson of the Board, additional vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be elected or appointed in accordance with the provisions of Section 8.02. All officers except those elected or appointed under Section 8.03 must be directors. Any number of offices may be held by the same person, except that neither the secretary nor the treasurer may serve concurrently as either the president or chairperson of the Board.

Section 8.02 Election. The President/Chief Executive Officer, or interim President/Chief Executive Officer, of the Commission shall be the president of the Corporation. The officers of the Corporation, except such officers as may be elected or appointed in accordance with the provisions of Section 8.03 or Section 8.06, shall be chosen at the annual meeting by the Board and shall serve at the pleasure of the Board, and shall hold their respective offices until their resignation, removal or other disqualification from service or until their respective successors shall be elected.

Section 8.03 Subordinate Officers. The Board may elect, and may empower the president to appoint, 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 may from time to time determine.

Section 8.04 Removal. Any officer may be removed, either with or without cause, by the Board at any time. Any such removal shall be without prejudice to the rights, if any, of such officer under any contract or employment.

Section 8.05 Resignation. Any officer may resign at any time by giving written notice to the Board, but without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 8.06 Vacancies. 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 election or appointment to such office, provided that such vacancies shall be filled as they occur and not on an annual basis.

Section 8.07 President. The president is the general manager and chief executive officer of the Corporation and has, subject to the control of the Board, general supervision, direction and control of the business and officers of the Corporation. The president shall preside at all meetings

of the Board. The president has the general powers and duties of management usually vested in the office of president and general manager of a corporation and such other powers and duties as may be prescribed from time to time by the Board.

Section 8.08 Vice President. In the absence or disability of the president, the vice president shall perform all the duties of the president, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the president. The vice president shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board.

Section 8.09 Secretary.

(a) Book of Minutes and Seal. The secretary shall keep or cause to be kept, at the principal office or such other place as the Board may order, a book of minutes of all meetings of the Board and its committees, with the time and place of holdings, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present, and the proceedings thereof. The secretary shall keep, or cause to be kept, at the principal office in the State of California, the original or a copy of the Corporation's Articles of Incorporation and Bylaws, as amended to date. The secretary shall keep the seal of the Corporation and shall affix the same on such papers and instruments as may be required in the regular course of business, but failure to affix shall not affect the validity of any instrument.

(b) Notices and Other Duties. The secretary shall give, or cause to be given, notice of all meetings of the Board and any committees thereof required by these Bylaws or by law to be given, and shall distribute the minutes of the meeting of the Board to all members promptly after the meetings. The secretary shall see that all reports, statements and other documents required by law are properly kept or filed, except to the extent the same are to be kept or filed by the treasurer. In general, the secretary shall have such other powers and perform such other duties as may be prescribed from time to time by the Board.

Section 8.10 Chief Financial Officer (Treasurer).

(a) Books of Account. The chief financial officer of the Corporation shall keep and maintain, or cause to be kept or maintained, adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts and disbursements. The books of account shall at all times be open to inspection by any director.

(b) Deposit and Disbursement of Money and Valuables. The chief financial officers shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated from time to time by the Board. The chief financial officer shall disburse the funds of the Corporation as may be ordered by the Board, and shall render to the president and directors, upon request, an account of all transactions as chief financial officer and of the financial condition of the Corporation. The chief financial officer shall present to the Board at all regular meetings an operating statement and report since the last preceding regular meeting of the Board. The chief financial officer shall cause the books of account to be audited or reviewed each year by a certified public accountant and a report of such

audit or review shall be presented to the Board not later than the fourth month following the close of the fiscal year. The chief financial officer shall have such other powers and perform such other duties as may be prescribed from time to time by the Board.

Section 8.11 Compensation of Officers. Any officer who is also an employee of the Commission or a member of the Board of the Commission shall not be compensated by the Corporation for serving on the Board or as a Corporation officer. In compliance with Section 12586(g) of the California Government Code, the Board, or an authorized committee of the Board, shall review and approve the compensation, including benefits, of the president and the chief financial officer to assure that it is just and reasonable. This review and approval shall occur initially upon the hiring of the president and chief financial officer, whenever the term of employment, if any, of such officer is renewed or extended, and whenever any such officer's compensation is modified. Separate review and approval shall not be required if a modification of compensation extends to substantially all employees. If the Corporation is affiliated with other nonprofit public benefit corporations, the requirement of this Section shall be satisfied if review and approval is obtained from the Board, or an authorized committee of the board of directors of the corporation that makes retention and compensation decisions regarding a particular officer.

Article IX. INDEMNIFICATION AND INSURANCE

Section 9.01 Definitions. For the purposes of this Article IX, the following definitions shall apply:

(a) "Agent" means any person who is or was a director, officer, employee, or other agent of the Corporation, or who 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 which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation.

(b) "Proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative.

(c) "Expenses" includes without limitation attorneys' fees and any expenses of establishing a right to indemnification under Section 9.05.

Section 9.02 Indemnification in Actions by Third Parties. The Corporation shall have power to indemnify any person who was or is a party, or is threatened to be made a party, to any proceedings (other than an action by or in the right of the Corporation to procure a judgment in its favor, an action brought under Section 5233 of the California Nonprofit Public Benefit Corporation Law, or an action brought by the Attorney General or a person granted relator status by the Attorney General for any breach of duty relating to assets held in charitable trust) by reason of the fact that such person is or was an agent of the Corporation, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Corporation, and in the case of a criminal proceeding,

had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the Corporation or that the person had reasonable cause to believe that the person's conduct was unlawful.

Section 9.03 Indemnification in Action by or in the Right of the Corporation. The Corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action by or in the right of the Corporation, or brought under Section 5233 of the California Nonprofit Public Benefit Corporation Law, or brought by the Attorney General or a person granted relator status by the Attorney General for breach of duty relating to assets held in charitable trust, to procure a judgment in its favor by reason of the fact that such person is or was an agent of the Corporation, against expenses actually and reasonably incurred by such person in connection with the defense of settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interests of the Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under Section 9.03:

(a) In respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the Corporation in the performance of such person's duty to the Corporation, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for expenses which such court shall determine;

(b) Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

(c) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval, unless it is settled with the approval of the Attorney General.

Section 9.04 Indemnification Against Expenses. To the extent that an agent of the Corporation has been successful on the merits in defense of any proceeding referred to in Section 9.02, or 9.03, or in defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

Section 9.05 Required Determination. Except as provided in Section 9.04, any indemnification under this Article IX shall be made by the Corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in Section 9.02 or 9.03, by: (i) a majority vote of a quorum consisting of directors who are not parties to such proceedings; or (ii) the court in which such proceeding is or was pending upon application made by the Corporation or the agent or the attorney or other person rendering services in connection with the defense,

whether or not such application by the agent, attorney or other person is opposed by the Corporation.

Section 9.06 Advance of Expenses. Expenses incurred in defending any proceeding may be advanced by the Corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Article IX.

Section 9.07 Other Indemnification. No provision made by the Corporation to indemnify its or its subsidiary's directors or officers for the defense of any proceeding, whether contained in the Articles, Bylaws, a resolution of directors, an agreement or otherwise, shall be valid unless consistent with this Article IX. Nothing contained in this Article IX shall affect any right to indemnification to which persons other than such directors and officers may be entitled by contract or otherwise.

(a) Forms of Indemnification Not Permitted. No indemnification or advance shall be made under this Article, except as provided in Section 9.04 or 9.05, in any circumstances where it appears: (i) that it would be inconsistent with a provision of the Articles, these Bylaws, 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 (ii) that it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 9.08 Insurance. The Corporation shall have power to purchase and maintain insurance 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 whether or not the Corporation would have the power to indemnify the agent against such liability under the provisions of this Article IX; provided, however, the Corporation shall have no power to purchase and maintain such insurance to indemnify any agent of the Corporation for a violation of Section 5233 of the California Nonprofit Public Benefit Corporation Law.

Section 9.09 Non-Applicability to Fiduciaries of Employee Benefit Plan. This Article IX does not apply to any proceedings against any trustee, investment manager, or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the Corporation as defined in Section 9.01. The Corporation shall have power to indemnify such trustee, investment manager, or other fiduciary to the extent permitted by subdivision (f) of Section 207 of the California General Corporation Law.

Article X. AMENDMENTS

Section 10.01 Adoption or Amendment of Bylaws. New bylaws may be adopted or these Bylaws may be amended by two thirds (2/3) vote of the Board. However, any amendment that proposes a change in Article V, including the method of nominating of directors in Section 5.02, must be approved by two thirds (2/3) vote of the Board and by the Commission. An action to repeal these Bylaws must be approved by two thirds (2/3) vote of the Board and by the Commission.

Article XI. OTHER PROVISIONS

Section 11.01 Validity of Instruments. Subject to the provision of applicable law, any note, mortgage, evidence of indebtedness, contract, conveyance or other instrument in writing and any assignment or endorsement thereof executed or entered into between the Corporation and any other person, when signed by the president or vice president and the secretary or chief financial officer of the Corporation, shall be valid and binding on the Corporation in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instrument may be signed by any other person(s) and in such manner as from time to time shall be determined by the Board and, unless so authorized by the Board, 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 for any purpose or amount.

Section 11.02 Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction, and definitions contained in the General Provisions of the California Nonprofit Corporation Law and in the California Nonprofit Public Benefit Corporation Law shall govern the construction of these Bylaws. Words in these Bylaws shall be read as the masculine or feminine gender and as the singular or plural, as the context requires. The captions and headings in these Bylaws are for convenience only and are not intended to limit or define the scope or effect of any provision.

Section 11.03 Fiscal Year. The fiscal year of the Corporation shall be set by the Board.

Section 11.04 Annual report. The chief financial officer shall cause an annual report to be prepared and sent to each director and officer of the Corporation, and such other persons as are designated by the Board no later than 180 days after the close of the Corporation's fiscal year. Such annual report shall be prepared in conformity with the requirements of Section 6321 and 6322 of the California Nonprofit Corporation Law now in effect and as it may hereafter be amended.

Section 11.05 Audited Financial Statements. Audited Financial Statements of the Corporation shall comply with the following provisions:

(a) If, independent of the audit requirement set forth in subsection (b) below, the Corporation prepares financial statements that are audited by a certified public accountant ("CPA"), the audited financial statements shall be available for inspection by the California Attorney General and by members of the public no later than nine (9) months after the close of the fiscal year to which the statements relate. The Corporation shall make its annual audited financial statements available to the public in the same manner that is prescribed for IRS Form 990 by the latest revision of Section 6104(d) of the Internal Revenue Code and associated regulations.

(b) If, in any fiscal year, the Corporation receives or accrues gross revenue of \$2,000,000 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), in

compliance with Sections 12586(e)(1), 12586(e)(2) and 12586(g) of the California Government Code, the Corporation shall:

1. Prepare annual financial statements using generally accepted accounting principles that are audited by an independent CPA in conformity with generally accepted auditing standards. The Corporation shall ensure that, for any non-audit services performed by the CPA firm conducting the audit, the CPA firm and its individual auditors adhere to the standards for auditor independence set forth in the latest revision of the Government Auditing Standards, issued by the Comptroller General of the United States. The audited financial statements shall be available for inspection by the California Attorney General and by members of the public no later than nine (9) months after the close of the fiscal year to which the statements relate. The Corporation shall make its annual audited financial statements available to the public in the same manner that is prescribed for IRS Form 990 by the latest revision of Section 6104(d) of the Internal Revenue Code and associated regulations.

2. Have an Audit Committee appointed by the Board.

Section 11.06 Public Inspection of Documents. The Corporation shall comply with the provision of Section 6104 of the Internal Revenue Code and Section 301.6104(d) et seq. of the Internal Revenue Regulations to provide copies of the following documents to members of the public who make a request for public inspection of documents:

- (a) The Corporation's application for recognition of exemption (Form 1023) filed with the Internal Revenue Service ("IRS");
- (b) All documents submitted to the IRS in support of such application;
- (c) All documents issued by the IRS with respect to the application; and
- (d) All annual returns (e.g., Form 990, 990 PF or 990EZ) filed with the IRS for the last three (3) accounting years preceding the request.