

BYLAWS OF
LINCOLN HEIGHTS BENEFIT ASSOCIATION OF LOS ANGELES
A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION

Adopted January 9, 2009

OFFICES

Section 1. Principal Office. The principal office of Lincoln Heights Benefit Association of Los Angeles ("**Corporation**") for the transaction of its business is located in Los Angeles County, California.

Section 2. Change of Address. The county of the Corporation's principal office can be changed only by amendment of these Bylaws ("**Bylaws**") and not otherwise. The Corporation's Board of Directors ("**Board**") may, however, change the principal office from one location to another within the named county by noting the changed address and effective date below, and such changes of address shall not be deemed an amendment of these Bylaws:

Section 3. Other Offices. Other offices may at any time be established at any place or places specified by the Board.

ARTICLE II

PURPOSES

Section 1. Objectives and Purposes. The primary objectives and purposes of the Corporation shall be:

(a) To bring about the revitalization of the Lincoln Heights community of Los Angeles and its surrounds.

(b) To bring about the investment of private and public capital within the Lincoln Heights community and its surrounds for public benefit and charitable purposes.

(c) To bring about the increased provision of quality public improvements and educational, cultural, artistic, charitable, and social services within the Lincoln Heights community and its surrounds for public benefit and charitable purposes.

(d) To bring about the increased economic well being of residents, employees, and businesses within the Lincoln Heights community and its surrounds.

residential, located in the proposed District against which assessments are proposed to be levied.

(g) **"Property Owner Director"** means any director designated by property owner and subsequently elected to serve as a director by the Board.

Section 2. Nominations.

(a) At least sixty (60) days before each Election Meeting, the President shall cause a notice to be delivered to each Property Owner or their designated representatives soliciting director nominations. Each Property Owner (or designated representative thereof) shall be entitled to submit one (1) nomination per Election Meeting.

(b) At least twenty-one (21) days before each Election Meeting, the President shall cause a notice to be delivered to each Property Owner and nominee listing the names of the nominees. Each nominee shall be invited to submit his or her qualifications or other materials for the Board's consideration. Individuals and entities other than Property Owners or their designated representatives are permitted to submit nominations; *provided*, that each such individual or entity shall be entitled to submit only one (1) nomination per Election Meeting. Nominees are not required to be a Property Owner.

(c) Nominations must be received by the President no later than fourteen (14) days before the applicable Election Meeting. Additional nominations may be submitted by the Board at an Election Meeting.

(d) Directors shall be elected in accordance with Article V, Section 1 of these Bylaws.

(e) Any notice required by this Section 2 may be delivered by U.S. mail, email, fax or personal delivery.

~~*~~ **Section 3. Additional Representatives.** Each director may appoint additional representatives who shall have the right to participate in Board discussions in an advisory and non-voting capacity.

ARTICLE V

DIRECTORS

Section 1. Number and Qualifications and Terms.

(a) *Authorized Number.* The authorized number of directors of the Corporation shall not be less than nine (9) nor more than twenty-three (23) until changed by amendment of the Articles of Incorporation or by a bylaw amending this Article V, Section 1. The exact number of directors shall be fixed from time to time, within the limits specified in the Articles of Incorporation or in this Article V, Section 1,

persons serving on the Board may be interested persons. For purposes of this Section, "interested persons" means either:

(a) Any person currently being compensated by the Corporation for services rendered it within the previous twelve (12) months, whether as a full-or part-time officer or other employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director; or

(b) Any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person.

Section 5. Place of Meetings. Meetings shall be held at the principal office of the Corporation unless otherwise provided by the Board or at such place within or without the State of California which has been designated from time to time by resolution of the Board. Any meeting, regular or special, may be held by conference telephone or similar communications equipment, so as long as all directors participating in such meeting can hear one another.

Section 6. Regular and Annual Meetings. Regular meetings of directors shall be held on a day specified by the Board. The annual meeting shall be held at a time and place as determined by the Board, however in no event shall the Board fail to hold an annual meeting at least once per year, commencing August 2008.

Section 7. Special Meetings. Special meetings of the Board may be called by the President, the Vice President, the Secretary, or by any four directors, and such meetings shall be held at the place, within or without the State of California, designated by the person or persons calling the meeting, and in the absence of such designation, at the principal office of the Corporation.

Section 8. Notice of Meetings.

(a) Regular and annual meetings of the Board may be held without notice.

(b) Special meetings of the Board shall be held upon four (4) days' notice by first-class mail or forty-eight (48) hours' notice delivered personally or by telephone, fax, or e-mail. Notice shall also be posted on the Corporation's web site. If sent by mail, fax or e-mail, the notice shall be deemed to be delivered on its deposit in the mail. Such notices shall be addressed to each director at his or her address as shown on the books of the Corporation. Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place of the adjourned meeting are fixed at the meeting adjourned and if such adjourned meeting is held no more than forty eight (48) hours from the time of the original meeting. Notice shall be given of any adjourned regular or special meeting to directors absent from the original meeting if the adjourned meeting is held more than forty eight (48) hours from the time of the original meeting. As used herein, notice by telephone shall be deemed to include a voice messaging system or other system or technology designed to record and communicate messages to the recipient, including the

Section 12. Action by Written Consent Without Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be submitted by fax, mail or e-mail, and 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 Code.

Section 13. Vacancies.

(a) A vacancy in the Board shall be deemed to exist (1) on the death, resignation or removal of any director, (2) whenever the number of authorized directors is increased, (3) upon the declaration by the Board of a vacancy in the office of a director who has been declared of unsound mind by a final order of court, or convicted of a felony, or been found by a final order or judgment of any court to have breached any duty under Sections 5230 – 5238 of the Code dealing with standards of conduct for a director, or has missed fifty percent (50%) of the meetings of the Board within a twelve (12) month period, or three consecutive meetings of the Board shall be subject to removal from the Board, or (4) whenever the directors, at any meeting at which any director or directors are elected, have failed to elect the full authorized number of directors to be voted for at that meeting.

(b) The Board, by affirmative vote of at least two-thirds (2/3) 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 Section 8 above that such action would be considered at the meeting.

(c) Any director may resign effective upon giving written notice to the President, the Secretary, or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, the successor may be elected 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 or directors in charge of its affairs.

(d) Vacancies on the Board may be filled by a majority of the directors present at a meeting at which a quorum is present, or if the number of directors then in office is less than a quorum, by (1) the unanimous written consent of the directors then in office, (2) the affirmative vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice complying with this Section, or (3) a sole remaining director; *provided, however*, that any vacancy caused by the resignation or removal of a Property Owner Director shall be filled by the Property Owner that originally appointed such Property Owner Director or the successor in ownership to such Property Owner so

favor, or brought under Section 5233 of the Code, or brought by the Attorney General for 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 actually and reasonably incurred by such person in connection with the defense or 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 this paragraph (c):

(1) 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 the expenses which such court shall determine;

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

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

(d) To the extent that an agent of the Corporation has been successful on the merits in defense of any proceeding referred to in paragraph (b) or (c) or in defense of any claim, issue, or matter in the proceeding, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection with the proceeding.

(e) Except as provided in paragraph (d), any indemnification under this Section 14 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 paragraph (b) or (c), by:

(1) A majority vote of a quorum consisting of directors who are not parties to such proceeding; or

(2) The court in which such proceeding is or was pending upon application made by the Corporation, 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.

(f) 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

same person except that neither the Secretary nor the Treasurer may serve simultaneously as the President or Chairperson of the Board.

The Board may also authorize its Executive Director or District Manager to serve in the capacity of the Chairperson of the Board. If the Chairperson is paid staff of the Board, that position shall have an honorary status, meaning that the Chairperson functions to Chair the Board of Directors meetings, however will not be a member of the Board and does not retain the right to vote on any matters coming before the Board of Directors.

Section 2. Qualification, Election, and Term of Office. Any person may serve as officer of the Corporation. Officers shall be elected by the Board, at any time, and each officer shall hold office for up to one year per term. There shall be no term limits for elected officers of the Board.

Section 3. Subordinate Officers. The Board may appoint such other officers or agents as it may deem desirable, and such officers shall serve such terms, have such authority, and perform such duties as may be prescribed from time to time by the Board.

Section 4. Removal and Resignation. Any officer may be removed, either with or without cause, by the Board, at any time. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary of the Corporation. Any such resignation shall take effect at the date of receipt of such notice or at any later date specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The above provisions of this Section shall be superseded by any conflicting terms of a contract which has been approved or ratified by the Board relating to the employment of any officer of the Corporation.

Section 5. Vacancies. Any vacancy caused by the death, resignation, removal, disqualification, or otherwise, of any officer shall be filled by the Board. In the event of a vacancy in any office other than that of President, such vacancy may be filled temporarily by appointment by the President until such time as the Board shall fill the vacancy. Vacancies occurring in offices of officers appointed at the discretion of the Board may or may not be filled as the Board shall determine.

Section 6. Duties of President. The President shall be the chief executive officer of the Corporation and shall perform all duties incident to his or her office and such other duties as may be required by law, by the Articles of Incorporation of the Corporation, or by these Bylaws, or which may be prescribed from time to time by the Board. Unless another person is specifically appointed as Chairperson of the Board, he or she shall preside at all meetings of the Board. Except as otherwise expressly provided by law, by the Articles of Incorporation, or by these Bylaws, he or she shall, in the name of the Corporation, execute such deeds, mortgages, bonds, contracts, checks, or other instruments which may from time to time be authorized by the Board.

(c) Keep and maintain adequate and correct accounts of the Corporation's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains and losses.

(d) Render to the President and directors, whenever requested, an account of any or all of his or her transactions as Treasurer and of the financial condition of the Corporation.

(e) Prepare, or cause to be prepared, and certify, or cause to be certified, the financial statements to be included in any required reports.

(f) In general, perform all duties incident to the office of Treasurer and such other duties as may be required by law, by the Articles of Incorporation of the Corporation, or by these Bylaws, or which may be assigned to him or her from time to time by the Board

ARTICLE VII

COMMITTEES

Section 1. Executive/Organization Committee. The Board may, by a majority vote of directors, designate two (2) or more of its members (who may also be serving as officers of the Corporation) to constitute an Executive/Organization Committee and delegate to such Committee any of the powers and authority of the Board in the management of the business and affairs of the Corporation, except with respect to:

(a) The approval of any action which, under law or the provisions of these Bylaws, requires the approval of the members or of a majority of all of the members.

(b) The filling of vacancies on the Board or on any committee which has the authority of the Board.

(c) The amendment or repeal of Bylaws or the adoption of new Bylaws.

(d) The amendment or repeal or any resolution of the Board which by its express terms is not so amendable or repealable.

(e) The appointment of committees of the Board or the members thereof.

(f) The approval of any transaction between the Corporation and one or more of its directors in which the director or directors have a material financial interest, except as provided by Section 5233 of the Code.

be separate from the Audit Committee. Members of the Finance Committee may serve on the Audit Committee; however, the chairperson of the Audit Committee may not be a member of the Finance Committee and members of the Finance Committee shall constitute less than one-half of the membership of the Audit Committee.

(b) 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 recommending to the Board the retention and termination of the independent auditor and may negotiate the independent auditor's compensation, on behalf of the Board. The Audit Committee shall confer with the auditor to satisfy its members that the financial affairs of the Corporation are in order, shall review and determine whether to accept the audit, shall assure that any non-audit services performed by the auditing firm conform with standards for auditor independence referred to in Section 12586(e)(1) of the California Government Code, and shall approve performance of non-audit services by the auditing firm. If the Corporation is under the control of another Corporation, the Audit Committee may be part of the Board of the controlling Corporation.

ARTICLE VIII

EXECUTION OF INSTRUMENTS, DEPOSITS AND FUNDS

Section 1. Execution of Instruments. The Board, except as otherwise provided in these Bylaws, may by resolution authorize any officer or agent of the Corporation to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances. Unless so authorized, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable monetarily for any purpose or in any amount.

Section 2. Checks and Notes. Except as otherwise specifically determined by resolution of the Board, or as otherwise required by law, checks, drafts, promissory notes, orders for the payment of money, and other evidence of indebtedness of the Corporation shall be signed by the Treasurer and countersigned by the President of the Corporation, or by two other officers of the Corporation.

Section 3. Deposits. All funds of the Corporation shall be deposited as soon as reasonably possible, to the credit of the Corporation in such banks, trust companies, or other depositories as the Board may select.

(d) The expenses or disbursements of the Corporation, for both general and restricted purposes, during the fiscal year.

(e) Any information required by Section 6322 of the Code.

The annual report shall be accompanied by any report thereon 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.

Section 6. Audited Financial Statements. If the Corporation (i) is required to file reports with the California Attorney General pursuant to Section 12586 of the California Government Code and (ii) receives or accrues in any fiscal year gross revenue of two million dollars (\$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, the Corporation shall do the following:

(a) Prepare annual financial statements using generally accepted accounting principles that are audited by an independent certified public accountant in conformity with generally accepted auditing standards. For any non-audit services performed by the firm conducting the audit, the firm and its individual auditors shall 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 Yellow Book) and any standards prescribed by the California Attorney General for auditor independence in the performance of non-audit services, including standards different from those set forth in the Yellow Book. If the Corporation is under the control of another organization, the controlling organization may prepare a consolidated financial statement. The audited financial statements shall be available for inspection by the California Attorney General and by members of the public no later than nine months after the close of the fiscal year to which the statements relate. If the Corporation is a charity, it 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 the Corporation is required to file reports with the California Attorney General pursuant to Section 12586 of the California Government Code and, independent of the audit requirement set forth in Section 12586(e)(1) of the California Government Code, it prepares financial statements that are audited by a certified public accountant, the audited financial statements shall be available for inspection by the California Attorney General and shall be made available to members of the public in conformity with Section 12586(e)(1) of the California Government Code.

which exceed or defeat a public or charitable purpose to which a corporation, or assets held by it, are dedicated.

ARTICLE XIII

PROHIBITED TRANSACTIONS

Section 1. Loans.

Except as permitted by Section 5236 of the Code, the Corporation shall not make any loan of money or property to, or guarantee the obligation of, any director or officer; *provided, however*, that the Corporation may advance money to a director or officer of the 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 2. Self-Dealing Transactions.

Except as provided in Section 3, below, the Board shall not approve or permit the Corporation to engage in any self-dealing transaction. A self-dealing transaction is a transaction to which the Corporation is a party and in which one or more of its directors has a material financial interest, unless the transaction is described in Section 5233(b) of the Code.

Section 3. Approval.

This Corporation may engage in a self-dealing transaction if the transaction is approved by a court or by the Attorney General. This Corporation also may engage in a self-dealing transaction if the Board determines, before the transaction, that (1) the Corporation is entering into the transaction for its own benefit; (2) the transaction is fair and reasonable to the Corporation at the time; and (3) after reasonable investigation, the Board determines that it could not have obtained a more advantageous arrangement with reasonable effort under the circumstances. Such determinations must be made by the Board in good faith, with knowledge of the material facts concerning the transaction and the interest of the director or directors in the transaction, and by a vote of a majority of the directors then in office, without counting the vote of the interested director or directors.

- (2) a compensation arrangement with the corporation or with any entity or individual with which the corporation has a transaction or arrangement, or
- (3) 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 3, paragraph B, 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.

SECTION 3. CONFLICT OF INTEREST AVOIDANCE PRODEDURES

(a) 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 committees with governing board delegated powers considering the proposed transaction or arrangement.

(b) 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, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

(c) Procedures for Addressing the Conflict of Interest.

An interested person may make a presentation at the governing board or committee 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.

The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

After exercising due diligence, the governing board or committee 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.

No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the corporation, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

When approving compensation for directors, officers and employees, contractors, and any other compensation contract or arrangement, in addition to complying with the conflict of interest requirements and policies contained in the preceding and following sections of this article as well as the preceding paragraphs of this section of this article, the board or a duly constituted compensation committee of the board shall also comply with the following additional requirements and procedures:

(a) the terms of compensation shall be approved by the board or compensation committee prior to the first payment of compensation.

(b) all members of the board or compensation committee who approve compensation arrangements must not have a conflict of interest with respect to the compensation arrangement as specified in IRS Regulation Section 53.4958-6(c)(iii), which generally requires that each board member or committee member approving a compensation arrangement between this organization and a "disqualified person" (as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations):

1. is not the person who is the subject of compensation arrangement, or a family member of such person;
2. is not in an employment relationship subject to the direction or control of the person who is the subject of compensation arrangement
3. does not receive compensation or other payments subject to approval by the person who is the subject of compensation arrangement
4. has no material financial interest affected by the compensation arrangement; and
5. does not approve a transaction providing economic benefits to the person who is the subject of the compensation arrangement, who in turn has approved or will approve a transaction providing benefits to the board or committee member.

(c) the board or compensation committee shall obtain and rely upon appropriate data as to comparability prior to approving the terms of compensation. Appropriate data may include the following:

1. compensation levels paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions. "Similarly situated" organizations are those of a similar size and purpose and with similar resources