

Bylaws of
PET PROJECT FOUNDATION, INC.
A California Non-Profit
Public Benefit Corporation

ARTICLE I - NAME & PURPOSE

A. Name

The name of this Corporation is **Pet Project Foundation, Inc.** and such other names as the Board of Directors may decide to do business under.

B. Purposes

The purposes of this Corporation are those set out in the Articles of Incorporation. This Corporation shall be governed first by its Articles of Incorporation, then by these Bylaws, and finally by its resolutions, which three sets of documents shall be kept at this Corporation's principal place of business.

ARTICLE 2 - FISCAL YEAR

This Corporation's fiscal year shall begin on the first day of July and end on the last day of June 30 in each year.

ARTICLE 3 - DIRECTORS AND OFFICERS

Section A - Number

The Board of Directors consists of not less than three (3) nor more than nineteen (19) persons in an exact number as specified in a resolution of Members adopted at the annual meeting and prior to the annual election of Directors and failing such specifying resolution, the number shall be 13. Until the election at an annual meeting next following July 19, 2005, the number shall be 19. Subsequently, the number of Directors shall be 13, failing a resolution of the members setting a different specific number.

Section B - Qualification

1. Each Director on the Board of Directors shall, continuously during his/her tenure, be a member of this Corporation and be at least eighteen years of age, with such other requirements as are set out from time to time in the Articles and Bylaws. Directors shall not be employees of a public entity that received funding from this corporation at any time during their tenure as director or during the fiscal year immediately prior to their nomination if such funding contributed or contributes to their salary.

2. Directors shall serve without compensation.

3. No more than 49% of the person serving on the board may be interested persons, which means (a) any person currently being compensated by the corporation for services rendered to it within the previous 12 months; or (b) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person.

Section C - Election and Terms of Directors

1. Nomination. Persons who have been members for at least 90 days prior to the first day of each meeting noticed for election of a director or established in these bylaws, may be nominated for election as a director only if they are present at the time of the meeting and accept or their nominator presents a written acceptance of nomination and willingness to be elected at the time of nomination.

a. In March of each year, the Chairman of the Board, with approval of the Board of Directors, will appoint one Director of the Board of Directors to serve as chairperson of a Nominating Committee (the "Nominating Committee"). The Nominating Committee chairperson, with approval of the Board of Directors, shall appoint two additional individuals to serve on the Nominating Committee. One of the two appointees shall be a voting member of the Corporation who is not a Director of the Board. The second appointee shall be any voting member of the Corporation whether or not a Director of the Corporation. The Nominating Committee shall not include any individual who served on the Nominating Committee for the previous election of Directors. At least two members of the Nominating Committee shall not be eligible for elective office in the year that they were on the Nominating Committee.

b. At least 90 days before the date of the election meeting, the Nominating Committee shall notify the voting members by mail that nominations are being accepted for the Director positions on the Board of Directors to be elected. A nomination may be made in writing by one voting member and shall include a written statement from the nominee of his/her willingness to serve if elected. The nominee must also include a brief (maximum 150 word) candidate statement describing their involvement in animal welfare. To be considered for recommendation by the Nominating Committee, nominations must be delivered to the Secretary or the Chairman of the Board not less than sixty-seven (67) days prior to the Meeting. The Nominating Committee shall be responsible for selecting, from among the nominees, a recommended slate of candidates to serve as Directors during the following term.

c. At least 60 days prior to the Annual Meeting, the Nominating Committee will present their recommended slate of

candidates to the Board of Directors for its information. The Nominating Committee shall also present to the Board of Directors the list of nominees who were not selected to the recommended slate.

d. As provided in these Bylaws, the Board of Directors will notify by mail all voting members of the Corporation of the date, time and place of the Annual Meeting including the list of all candidates for the Board of Directors, identifying the slate of candidates recommended by the Nominating Committee. This notice will include the candidate's statements of all candidates who provide them and proxy/absentee ballot forms that allow voting members to vote in absentia or to designate proxies to represent them at the Meeting.

e. Any proxy/absentee ballot form distributed by this Corporation that is filed for the election of Directors at the Meeting must contain the list of all nominees for Director positions current to the date that the proxy/absentee ballot form was distributed to the voting members. The proxy/absentee ballot forms will also identify those candidates on the slate recommended by the Nominating Committee.

f. The proxy/absentee ballot form distributed to the voting members shall provide four (4) options:

1. An Authorization for the proxy-holder to vote as he/she deems appropriate; or
2. An authorization for the proxy-holder to vote as the proxy-giver stipulates on the proxy form; or
3. An authorization for the proxy-holder only to be counted in attendance for quorum purposes without voting privileges; or
4. A stipulation that the submitted form be classified as an absentee ballot.

2. Term. The Directors elected shall each hold office for one year and until a successor is duly elected. At each election following adoption of these Bylaws, the election for all nominees shall be held simultaneously and the number of Directors to be elected who obtain the higher votes of those running shall be the Directors. **No Director may be elected more than 3 consecutive times.** A Director may be off the board one election and be reelected to 3 more consecutive elections.

3. Campaigning. Each member validly nominated shall be given a reasonable opportunity to contact voting members prior to and during any meeting whereat his/her nomination is to be voted. This shall include distribution by this corporation with any notice of the meeting of up to 150 words describing their involvement in animal welfare printed on 8 1/2" x 11" or such other reasonable size determined by the Board of Directors and

delivered to the Secretary of this corporation at least 5 calendar days before any notice mailed to members by this corporation. However, such reasonable opportunity shall not include distribution of literature in the room of the meeting though it may be present there. The presiding officer at any election for directors shall cause a reading to be made of the experience and interest of each candidate in animal welfare.

4. Vacancy. A vacancy or vacancies on the Board of Directors shall be deemed to exist in the event of the (1) death, (2) resignation, (3) removal of any Director, (4) or if the Board of Directors by resolution declares vacant the office of a Director who has been declared of unsound mind by an order of court or who has been convicted of a felony, or (5) if the authorized number of Directors is increased without filling the position, or (6) if the Members fail, at any meeting of Members at which any Director is to be elected, to elect the number of Directors to be elected at the meeting to fill all Director positions to be filled.

5. Filling Vacancies. In the event of vacancy, a majority of the remaining Director(s) then in office even if less than a quorum, may elect sufficient Directors to fill the vacancies for Directors on the Board of Directors until their successors are elected. If a vacancy was created by removal of a director, it shall be filled by approval of the Members. However, in the event of vacancy, the remaining Director(s) may instead call a "special meeting" or if there is no cumulative voting right by a written ballot meeting of Members of this Corporation to elect a Director(s) to succeed to any vacancy. The Members may elect a Director(s) at any time to fill any vacancy or vacancies, but any such election, if by written consent, shall require the consent of a majority of the outstanding Members then entitled to vote.

6. Resignation. Any Director may resign at any time by written notice personally delivered to the Chairman of the Board or Vice-Chairman, if any, or Secretary, or the Board, and shall be effective upon receipt, or at a later time not to exceed thirty (30) days if so stated therein. Any Director who has failed to attend any three (3) consecutive regular meetings (as contrasted to special meetings) of the Board of Directors, following his/her election to the Board of Directors, shall be deemed, pursuant to these Bylaws to have given notice of resignation to the Board of Directors, which resignation is effective at the adjournment of the third such consecutive meeting unless otherwise then determined by the remaining Board of Directors. A Director may not resign when the Corporation would then be left without any Director in charge of its affairs. In the event the last Director(s) desire(s) to resign, he/she (they) must first call a meeting of Members for the purpose of electing Directors and Directors must first be so elected, or petition the proper court for relief.

7. Removal of Director(s). A Director or Directors may be removed as a Director prior to expiration of his/her term with or without cause at any time by a majority of all voting Members of

the Corporation so long as the number of corporate Members is less than 50. If the number of corporate Members is 50 or more, then by a majority in a meeting at which a quorum is present. Provided, however, that if cumulative voting is authorized in these Bylaws, then no Director may be removed, unless the entire Board is removed, when the votes cast against removal plus those not consenting in writing to removal would have been enough if used cumulatively at which the same total number of votes were cast and the entire number of directors authorized at the time of the director's most recent election were then being elected.

8. Proxy Ballot. Any proxy ballot distributed by management or another shall list all nominees as of a date 10 calendar days before mailing, plus whether the vote shall be as designated or shall be voted as the proxy holder chooses; whether the ballot shall be voted only for quorum and not for any particular candidate.

Section D - Meetings of Directors

1. Subject to the provisions of Sections 5212, 5233, 5234, 5235, and subdivision (e) of Section 5238 California Corporate Code, every act or decision done by or made by a majority of the Directors present at a meeting duly held at which a quorum is present is the act of the Board.

2. Quorum. The quorum of the Board of Directors shall be 1/2 of the authorized number of Directors of the Board from time to time, but never less than two persons, which quorum may include an interested Director for the purposes of calculating the number for a quorum to conduct business. Proxies may be used only for Members' meetings and not for Directors' meetings. In absence of a quorum initially, the Chairman may prolong a session up to two hours to await a quorum and a majority of those present may adjourn a meeting to another time and place. If there are not enough Directors in office for a quorum, the remaining Director(s) must either appoint enough Director(s) for a full Board of Directors or when there are Members separate from directors, call a special Members meeting or written ballot meeting to do so, using the procedure herein or as set out in law, or petition the proper court for relief. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of a quorum, if any action taken is approved by at least a majority of the required quorum for such meeting.

3. Actions Without Physical Meetings.

a. Telephone. Any meeting, regular or special, may be held by conference telephone or similar communications equipment so long as each Director participating in the meeting can hear each other Director. All such Directors shall be deemed to be present in person at such a meeting.

b. Written File Consent. Any action required or permitted

to be taken by the Directors may be taken without a meeting if all Directors excluding those with a financial interest as defined in Corporation California Section 5233, consent in writing to such action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors and shall be filed with the minutes of the proceedings of the Board, and be effective when all Directors execute same or at the time provided in such writing.

4. Place. The place of Directors' meetings shall be at any place held pursuant to resolution of the Board of Directors and failing such, at the principal office of the Corporation.

5. Time of Meetings.

a. Annual Meeting. Immediately following each meeting of Members whereat Director(s) are elected, the new Board of Directors at the same place shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. **Notice of this meeting shall not be required.**

b. Regular Meetings. Regular meetings shall be held at the time and place established from time to time by Board resolution, and call and notice thereof shall not be required after adoption of said resolution. Unless a resolution determines another schedule of meetings, the Board shall meet on the **third Tuesday** of each calendar month at 6:30 PM at The Fountains at Sea Bluffs, 25411 Sea Bluffs Drive, Dana Point, CA 92629 in even numbered months and at the San Clemente Senior Center, 242 Avenida Del Mar, San Clemente, CA 92672 in odd numbered months without further notice.

c. Special Meetings. The Chairman or any officer or any three (3) Directors may call special meetings of the Directors for any purpose at any time.

6. Notice Required For Special Meetings. Forty-eight (48) hours notice delivered personally, or by telephone, or by telegraph, or e-mail, if receipted, or 5 days by first class mail, shall be given to each Director before the time set for the meeting.

7. Contents of Notice for Special Meeting. The Notice shall state (a) the place, plus (b) the time of the meeting, and (c) generally the topics which may be voted upon or discussed at the special meeting.

8. Waiver of Notice. Notice of a meeting need not be given to any directors who signed 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, prior thereto or at its commencement, the lack of notice to such Director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

9. Adjournment. 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 24 hours, notice of any adjournment to another time and place shall be given at least 48 hours prior to the starting time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

10. Executive Meetings. The Directors may hold an executive meeting upon majority vote of those present at a duly called, and held meeting. Only the resolutions actually passed shall be kept with this Corporation's minutes or otherwise.

11. Attendance. Each voting member of this corporation may attend, though not make motions or vote or without majority approval of the Board, speak at the Board Meeting.

Section E - Powers of Directors

1. General Powers of Directors. The Board of Directors shall have the management of the business of the Corporation and, subject to the restrictions imposed by law, by the Articles of Incorporation, or by these Bylaws, may exercise all the powers of the Corporation. No person shall have the actual (as contrasted with the apparent) authority to bind this corporation save the Chairman of the Board of Directors.

2. Specific Powers of Directors. Without limitation of said general powers, it is hereby expressly declared that the Directors shall have the following powers, to wit:

a. This corporation shall not have or use a corporate seal;

b. By resolution to make and change regulations not inconsistent with these Bylaws or the Articles, for the management of this Corporation's business and affairs;

c. To appoint and remove, at pleasure, all agents and employees of the Corporation, prescribe their duties, fix their compensation and require from them security for faithful service, if they so deem necessary, and in their discretion, from time to time, to devolve the powers and duties of any agent or employee upon any other person for the time being;

d. To appoint and remove or suspend such agents or employees, as they may deem necessary, and or from time to time change their salaries or remuneration;

e. To pay for any property, excluding real property, purchased by the Corporation either wholly or partly in money, bonds, debentures, or other securities of the Corporation;

f. Subject to these Bylaws and the Articles, to borrow money and to make and issue notes, bonds, and other negotiable and transferable instruments, mortgages, deeds of trust, trust agreements and do every legal thing necessary to effectuate the same, upon approval of the majority of the membership at a vote taken at a special meeting;

g. To designate from time to time, the time and place of its meetings. To appoint such committee or committees on any subject within the powers of this Corporation and to define the powers and duties of such committee(s);

h. To select and designate such savings and loan, thrift and loan, bank, or trust company, as they may deem advisable as official depository of the funds of the Corporation, and to prescribe and order the manner in which such deposits shall be withdrawn;

i. To conduct, manage and control the affairs and business of the Corporation in furtherance of its charitable purposes, and to make such rules and regulations therefore not inconsistent with law, the Articles of Incorporation, or the Bylaws, as they may deem proper;

j. To cause the Corporation to be qualified to operate for charitable and other exempt purposes in the United States, the State of California, or any other state, territory, dependency or country, and conduct such operations within or without the State of California;

k. Make donations to federal income organizations that have obtained exemption from taxation for animal welfare, if such donations do not jeopardize this Corporation's tax-exempt status and are approved by the Directors;

l. The board shall annually inquire into the cost of insurance to fully protect the board and the officers and employees of this corporation and protect this corporation from said obligations and from liability of all kinds, incurred as a result of this corporation's activities and procure same, or establish accounting funds, if financially practical in view of this corporation's assets and activities. The Board of Directors may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of the corporation (including a director, officer, employee or other agent of the corporation) against any liability.

3. Standard of Care.

a. Director for Free Service. A Director shall perform the duties of a Director, including without limitation, in connection with the election, selection, or nomination of Directors and any duties as a member of a committee, in good faith, in a manner such director believes to be in the best interests of the Corporation and with such care including reasonable inquiry, as an **ordinary prudent person** in a like position would use under similar circumstances.

b. 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:

1. One or more officers or employees of the Corporation who the Director believes to be reliable and competent in the matters presented;

2. Counsel, independent accountants, or other persons as to matters which the Director believes to be within such person's professional or expert competence; or

3. 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 inquiry need is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

c. Transactions between the Corporation and a Director(s) who has a "material financial interest" in the transaction shall be governed by California Corporation Code Section 5233, except the following transactions which shall be governed by the above ordinary prudent person standards:

1. A transaction which is part of a public, or charitable program of the Corporation if it:

- is approved or authorized by the Corporation in good faith and without unjustified favoritism; and

- results in a benefit to one or more Directors or their families because they are in the class of persons intended to be benefited by the public or charitable program; or

2. A transaction, of which the interested Director or directors have no actual knowledge, and which does not exceed the lesser of one percent of the gross receipts of the Corporation for the preceding fiscal year or one hundred thousand dollars (\$100,000.00).

d. Directors with a material financial interest may be

counted in determining the presence of a quorum at a meeting of the Board that authorizes, approves or ratifies a contract or transaction.

e. Directors shall not authorize a "distribution" of assets to any member, and shall not abstain from voting against a distribution.

Section F - Officers.

1. The Board and not the members shall select the officers of this corporation at any time, from those elected to the Board of Directors by the members. The officers of the Corporation shall be a **Chairman of the Board**, a **President**, a **Secretary**, and a Chief Financial Officer, who shall be called the **Treasurer**. The Board of Directors may also appoint such additional **Vice Presidents**, **Assistant Secretaries**, **Assistant Treasurers**, or **Other Officers** from time to time, as it deems proper and necessary. All officers shall be elected by the Board of Directors and shall continue at the pleasure of the Board of Directors subject to removal with or without cause and any contract of employment and subject to removal with or without cause by the Directors at any regular or special meeting of the Directors, or longer than 1 year. The same person may hold any number of offices except that neither the Secretary nor the Treasurer may serve as President or Chairman of the Board. Any officer may resign at any time by written notice to the Corporation. Each officer shall have those duties set out in these bylaws plus such additional ones imposed by the Board of Directors at the time of appointment. Unless specifically authorized by the Board of Directors, officers shall serve without pay except for their out-of-pocket expenses necessarily expended to perform their duties as an officer.

2. Authority of Officers to bind this Corporation. Subject to the various rights set out in California Corporation's Code 5141a and 5142, any note, mortgage, evidence of indebtedness, control, conveyance, or other instrument in writing, and any assignment or endorsement thereof, executed or entered into between this Corporation and any other person (including corporation), when approved by the Board of Directors, signed by the Chairman of the Board, the President, or any Vice-President, and the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of this Corporation, is not made invalid as to this Corporation even if such signing officer(s) lacks sufficient authority unless the other party then has actual knowledge that said signing person lacks authority to so sign.

3. Responsibilities of Officers.

a. Chairman. The Chairman of the Board shall preside over all meetings of the Board of Directors and the members. He/she shall also have such other powers and perform such other duties as may be required of him/her, from time to time, by the Board of Directors. He/she may also appoint

such committee or committees as he/she may be expressly authorized to appoint by the Board of Directors, from time to time, and define the duties of such committees. He/she shall be elected from, and continually be a member of, the Board of Directors. He/she shall on behalf of this Corporation execute only those notes, mortgages, evidences of indebtedness, contracts and conveyances that have been approved by said Board. He/she shall not be disqualified from voting as a director by reason of presiding over a Board meeting. No person who presides over a Board meeting shall be disqualified from voting due to so presiding. Said Director shall also appoint the members and Chairman of the nominating committee at each meeting whereat a Director is to be nominated. He/she shall receive notice of and may meet with any committee of this corporation, save a nominating committee, and may make motions for adoption of same.

b. President. The President (CEO) shall manage the day-to-day activities of the corporation carrying out the resolutions of the Board. The President shall perform the hiring and discharge of employees, if there is one. With the Treasurer, he/she shall execute this Corporation's checks and membership cards if and when the Board authorizes same.

c. Secretary. The Secretary shall:

1. Cause to be kept at the principal office or such other place as the Board of Directors may direct, the following:

Book of Minutes of all meetings and actions of the Directors and Members and committees with the time and place of holding, whether regular or special, and if special, how authorized, the notice given, names of those present of Directors, and the number of Members present at Members' meetings and the proceedings and decisions of all such meetings.

Safely keep the records of this corporation, the execution of which has been duly authorized by this corporation, the Board of Directors, these bylaws, or law. Maintain financial records for 7 years after the date a tax return is filed.

Exhibit the records of this corporation as required by law:

Tax Returns & reports,

Contracts of this Corporation,

Annual Reports and Adopted Budgets.

Cause all notice to be properly given in

accordance with these bylaws or as required by law.

2. Cause to be kept at the principal office of record of the Members of this Corporation, their addresses and dates of termination of membership.

3. Present at each board meeting a list of business unfinished from prior board meetings.

4. Cause notice to be given of any special meeting of the Board or of Members.

d. Treasurer. The Treasurer shall attend to the following:

1. Cause to be kept and maintained complete and correct books and records of accounts of the properties and business transactions of this Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, and other matters customarily included in financial statements. Books of these accounts shall be open to inspection and copying by any Director at all reasonable times.

2. Cause to be deposited and kept securely, all money and other valuables in the name of, and to the credit of, this Corporation with such depository or depositories as may be designated by the Board of Directors and shall disburse this Corporation's funds as ordered by the Board of Directors only pursuant to a Board authorized budget or specific authorization and render to the Directors whenever they request it an account of all of the transactions and of the financial condition of the Corporation.

3. Make all disbursements greater than \$20.00 by check unless otherwise specially authorized by said Board.

4. Give notice to each Director when necessary of expenditures to be made or are requested to be made by the President, which are not authorized by the budget or by express resolution of the Board.

5. At each regular meeting of the Board and at each Special Meeting where notice is given at least 25 days in advance, have available to present to each Director, a statement of income and expenditures current to at least 30 days before the meeting of the Board.

7. Except as otherwise specifically determined by resolution of the Board of Directors, or as otherwise required by law, checks, drafts, promissory notes, orders for the payment of money, and other evidence of

indebtedness of the corporation in excess of \$2000 shall be signed by both the Treasurer and the President.

8. Each treasurer must be bondable, or automatically forfeits his/her office.

9. Receive, and give receipt for, monies due and payable to the corporation from any sources whatsoever.

10. Disburse, or cause to be disbursed, the funds of the corporation as may be directed by the Board of Directors, taking proper vouchers for such disbursements.

11. Cause to be prepared and certify as true, the financial statements to be included in any required reports.

Section G - Committees

Committees may be appointed from time to time by the Board, and where authorized by these by-laws, by the Chairman. The Chairman of each committee shall be appointed by the Chairman of the Board, and each committee may select such other officers of the committee and assign their duties. However, this corporation shall not appoint to any committee, to the extent known to the Board of Directors, more than 1 person from any household or any person related to a member on a committee as sibling, parent, or child. A quorum for committees shall be a majority of the authorized number of members. The time, place and manner of calling, conducting and giving notice of committee meetings shall be the same as set out for the Board of Directors.

1. "Audit" Committee.

A. No later than one month following the end of each fiscal year, the Board shall appoint a committee of no less than three (3) to make a review of the financial books of this Corporation for said fiscal year.

B. Composition of said committee shall preferably be Members of this Corporation and shall NOT include those responsible for preparation of said books during said fiscal year.

C. Duties:

1. Said committee shall review and make a compilation of said books or cause same to be done; and

2. Prior to the annual meeting of Members, said committee shall report in writing to the Board, by delivery to the secretary or Chairman of the Board, of its said review and compilation and the Secretary shall

forthwith post same at the principal office of the Corporation for thirty (30) days for review by the Members.

2. Executive Committee.

A. The Chairman, President, the Secretary and the Treasurer shall comprise this committee. The Board of Directors by majority vote of directors then in office, may revoke or modify any or all of the authority delegated to the Executive Committee, increase its membership or decrease it to no less than 2 directors.

B. This committee may make decisions for the Board between board meetings when a decision must be made in less time than a special meeting of the Board may be called. It shall keep minutes of its meetings and decisions, and lodge them with the Secretary of this corporation, and report its decisions to the Board of Directors from time to time as the Board of Directors may require. Such committee in either case shall have all the authority of the board of Directors, except with respect to:

1. Actions required to be approved by the members or a majority of all of the members; or
2. Filling vacancies on the Board of Directors, or any committee of the board; or
3. The fixing of compensation, if any, of a Director for serving on the board or on any committee; or
4. The adoption, amendment or appeal of any bylaw; or
5. The amendment or repeal of any Board of Director resolution which by its own terms is not so amendable or so repealable; or
6. The appointment of committees of the Board of Directors or the members thereof; or
7. The approval of any transaction to which this corporation is a party and in which one or more of the directors has a material financial interest, except as expressly provided in Section 5233(d)(3) of California Corporations Code.

Section H - Operating Balanced Budget.

Each Board of Directors from time to time shall adopt only an operating balanced budget that includes creation and maintenance of reserve accounts that may be for particular purposes or general purposes so that debts may be discharged as they come due. In the event that this cannot be reasonably done, the Board shall call a special meeting of the Members to approve a budget.

At such a meeting the quorum shall be the number who actually attend even though less than 1/3 of the members, and even though the members at such a meeting may increase dues to balance the reasonably anticipated income to that of this Corporation's debts.

ARTICLE 4 - INDEMNIFICATION

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

To the fullest extent permitted by California Corporation's Code §5238, and the law from time to time existing, this corporation shall indemnify any person who was or is threatened to be made a party to any proceeding, other than an action by or in the right of the corporation to procure a judgement in its favor, an action brought under Corporations Code §5233 (self-dealing), an action by the California Attorney General or a person granted relater 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 as defined in §5238, against expenses, judgements, orders, fines, settlements and other amounts actually and reasonably incurred.

ARTICLE 5 - MEMBERS

Section A - Qualification

1. This Corporation shall have Members instead of shareholders and there shall be only one class of "Members." Said Members shall have no financial interest in the assets of this corporation. No member shall hold more than 1 membership in this corporation. No member may transfer a membership or any right arising therefrom. All rights of membership cease upon death of the member. All memberships shall have the same rights, privileges, restrictions and conditions.

2. Members shall complete a written application for membership and pay the fee both as required by the Board of Directors, and after review by the board shall be admitted to membership. Members may prepay fees for up to 2 years in advance.

3. Each Member must continuously be committed to the purposes of this Corporation as set forth in the Articles of Incorporation.

4. There shall be no restrictions based on race, color, religion, national origin, sex, sexual orientation, marital status, age over majority, mental or physical disability, medical condition, veteran status or residence address.

5. Notwithstanding any other provision of these Bylaws, if any

amendment of the articles of Incorporation or of the Bylaws of this corporation would result in the termination of all memberships or any class of memberships, then such amendment or amendments shall be effected only in accordance with the provisions of Section 5342 of the California Nonprofit Benefit Corporation Law.

Section B - Admission to Membership and Term of Membership

1. The Secretary shall maintain a roll of Members, showing the dates of admission to membership and termination date from membership. If resolved by the Board, members shall be given "Identification of Membership" such as an identification card.

2. The qualifications and admission of members shall be as set fourth in the Articles and these Bylaws. Only the Board of Directors may grant membership in this Corporation and on such terms as it deems proper, but once granted, the terms of membership may not be changed for less than the entire membership.

3. Termination of Membership.

a. Grounds for Termination. The membership of a member shall terminate upon the occurrence of any of the following events:

1. Upon his/her or her notice of such termination delivered to the President or Secretary of the corporation personally or by mail, such membership to terminate upon the date of delivery of the notice or date of deposit in the mail.

2. Upon a determination by the Board of Directors that the member has engaged in conduct materially and seriously prejudicial to the interest or purposes of the corporation.

3. If this corporation has provided for the payment of dues by members, upon a failure to renew his or her membership by paying dues on or before their due date, such termination to be effective thirty (30) days after a written notification of delinquency is given personally or mailed to such member by the Secretary of the corporation. A member may avoid such termination by paying the amount of delinquent dues within a thirty-day (30) period following the member's receipt of the written notification of delinquency.

b. Procedure for Expulsion. Following the determination that a member should be expelled under subparagraph a. 2) of this section, the following procedure shall be implemented:

1. A notice shall be sent by first-class or registered mail to the last address of the member as shown on the

corporation's records, setting forth the expulsion and the reasons therefore. Such notice shall be sent at least fifteen (15) days before the proposed effective date of the expulsion.

2. The member being expelled shall be given an opportunity to be heard, either orally or in writing, at a hearing to be held not less than five (5) days before the effective date of the proposed expulsion. The Board of Directors in accordance with the quorum will hold the hearing and voting rules set forth in these Bylaws applicable to the meetings of the Board. The notice to the member of his or her proposed expulsion shall state the date, time, and place of the hearing on his or her proposed expulsion.

3. Following the hearing, the Board of Directors shall decide whether or not the member should in fact be expelled, suspended, or sanctioned in some other way. The decision of the Board shall be final.

4. If this corporation has provided for the payment of dues by members, any person expelled from the corporation shall receive a refund of dues already paid. The refund shall be prorated to return only the unaccrued balance remaining for the period of the dues payment.

4. One Type of Membership. Memberships are not transferable. Although there may be different names and requirements and dues for membership, each person who is a "Member" shall have but one vote. No person shall hold more than one membership. Unless otherwise stated in these bylaws, "Member" and "Membership" refers to persons entitled to vote as defined in California Corporations Code 5053.

Section D - Members' Liability

A Member of this Corporation is not, just by reason of his/her membership, personally liable for the debts, liabilities or obligations of this Corporation. However, a Member is liable for the payment of membership dues as established from time to time. The Members shall establish from time to time the dues for each category of membership. A Member who expressly resigns while his/her dues are paid up shall not be required to pay an initiation fee in the event of reapplication for membership.

ARTICLE 6 - MEETINGS OF MEMBERS

Section A - Place

The Members shall meet at the principal office of the Corporation, or elsewhere in California, if selected by a 2/3rds of the Members.

Section B - Annual Meetings

Unless the voting members or failing same the Board of Directors selects a different location in Orange County, and notifies the membership as required by these bylaws and the law, the annual meeting of Members of this Corporation shall be held at the **San Clemente Senior Center, 242 Del Mar, San Clemente, Calif. 92672**, on the **third Tuesday of July** each year, beginning at **7:00 pm** and continuing so long as necessary for the conduct of this Corporation's business, and election of directors.

At each annual meeting, the Board of Directors through its Treasurer shall present reports at least 10 days before the date of the meeting and should include the following:

- Assets and liabilities as of the end of the last preceding fiscal year;

- Funds held by this corporation on trust for limited purposes categorized by each purpose;

- Receipts and expenses for the fiscal year last preceding each annual meeting;

- Receipts restricted during the last preceding fiscal year presented for each restricted purpose;

- Disbursements for each restricted purpose during the last preceding fiscal year;

- California Corporations Code 6322 statements of transactions between this corporation and "interested" persons of this corporation;

- Each tax return of this corporation filed during the last preceding fiscal year before the members meeting.

Section C - Regular Meetings of Members

Regular meetings other than said annual meeting of this Corporation will not be held unless the members so resolve and set a time and schedule.

Section D - Special Meetings of Members

1. Special Meeting of Members. A special meeting of the Members of this Corporation may be called at any time by any of the following: the Board of Directors, the Chairman of the Board, the President, or 5% of the Members of the Corporation. Such a "call" shall be directed to any officer of this Corporation who shall then cause, within 20 days of receipt, notice to be given to the members entitled to vote in accordance with these Bylaws, setting a date for such meeting pursuant to said call, but in any

event no less than seven (7) nor more than twenty-eight (28) days following receipt of notice by Members. If said notice is not sent within twenty (20) days of receipt of call, then the person or persons issuing the call may themselves give notice as provided in the Bylaws or by California law.

2. Notice and Waiver of Notice of Members' Meeting.

a. Method. All notices of special meetings of Members shall be sent to Members in writing by first class mail at their address last shown on the corporate records.

b. Mailed Notice of Special Meeting of Members shall be deposited in the United States Mail not less than 10 days, nor more than 90 days prior to the date set for the meeting.

c. Contents. All notices shall state the place, date and time of the commencement of the meeting and in the case of a special meeting WHERE THE QUORUM IS LESS THAN 1/3 OF THE VOTING MEMBERSHIP, the notice shall state, the general nature of the business to be then and here transacted, and no other business may be transacted in the case of a special meeting than that in such special notice.

Further, regardless of the quorum requirement, the following actions may not be taken unless the notice of meeting, whether it be for general or special meeting, include a summary of such proposals:

- Removing a Director without cause
- Amending the Articles of Incorporation
- Voluntarily dissolving the corporation

d. Affidavit of Mailing Notice. The Secretary, Assistant Secretary, or any other party actually giving the notice may execute an affidavit or declaration under penalty of perjury of the mailing or other means of giving notice of any Members' meeting. If so executed it shall be filed and maintained in the minute book of the Corporation and be prima facie evidence of such Notice.

e. Written Waiver of Consent. The Transactions of any meeting of Members, whether annual or special, and however called or noticed, and wherever held, shall be as valid as those taken at a meeting duly held after a regular call and notice, if a quorum be present, either in person or by proxy, if permitted, and if either before or after the meeting each person entitled to vote who was not present in person or by proxy signs a written waiver of notice or a consent to the holding of such meeting, or on approval of the minutes thereof. The waiver of notice or consent need not specify either annual or special meeting of Members except that if action is taken or proposed to be taken for any of the above specific matters, such notice, waiver or consent shall state the general nature of the proposal(s).

All such waivers, consents or approvals shall be filed with the corporate records and be made a part of the minutes of the meeting.

f. Waiver by Attendance. Attendance by a person at any meeting shall also constitute a waiver of notice by that person of that meeting except when the person objects at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Attendance at a meeting, however, shall not be construed to be a waiver of any right to object to the consideration of matters at such meeting which were not included in the notice of the meeting if that objections is expressly made at the meeting and such complained of action is required by law to be included in such notice.

Section E - Written Consent Without Meeting

Any action that may be taken at any meeting of members may be taken without a meeting and without prior notice if written consents are received from a number of Members, within the time required by the notice thereof and failing same within 30 days of mailing, at least equal to a majority of the number required for a Quorum. All such written ballots shall be filed with the Secretary of the Corporation and maintained in the corporate records. All solicitations of such ballots shall indicate the time by which the ballot must be received by the Corporation to be counted. A written ballot may not be revoked.

Section F - Quorum and Adjournment

1. A quorum for a meeting of the Members hereof shall be 25 persons, except as otherwise provided in these Bylaws, the Articles or law. The Chairman may prolong a meeting up to two (2) hours to await a quorum.

2. Loss of Quorum. The Members present at a duly called or duly held meeting at which a quorum is initially present may continue to transact business until adjournment notwithstanding the withdrawal of enough members to leave less than a quorum, if any action taken is approved by at least a majority of the members required to constitute a quorum.

3. Adjournment Without a Quorum. A majority of the Members represented at either a special or regular meeting of the members, whether a quorum be present or not, may adjourn the meeting without notice to absent members, though the secretary is only instructed as a courtesy to reasonably attempt Notice.

Section G - Voting

1. Record Date. For the purposes of determining which Members and how many Members are entitled to receive notice and to vote or to give consent to corporate action without a meeting or for other reasons, the Board of Directors may fix in advance a record

date which shall be not more than sixty (60) days, nor less than ten (10) days before the date of such meeting, and in the absence of such fixing shall be the close of business on the business day preceding the day on which notice is given or if notice is waived at the close of business on the business day immediately preceding the day on which the meeting is held.

2. Cumulative voting. Cumulative voting may not be used by the Members of this Corporation.

3. Proxies (Members' Meetings Only).

a. Requirement to set forth general nature of subject on proxy. Any proxy **shall not be valid unless** the proxy expressly states at least the following:

- The general nature of the matter to be voted on;
- Whether the proxy holder shall appear only for establishing a quorum and not for voting;
- Whether the proxy MUST be voted approval or disapproval on any particular ballots or any matters announced by the Directors at the time of notice of the meeting that is to be acted upon at the meeting;
- Whether the proxy holder MAY vote approval or disapproval for all ballots or particular ballots;
- Whether the proxy MUST be cast in a particular as indicated on the proxy, and no others.

Subject to reasonable specified conditions, where the person solicited specifies a choice with request to any matter, the proxy shall be cast in accordance with the proxy.

b. A proxy is revoked by the death, but not the incapacity of the maker, and by the presence and voting at the meeting of the proxy giver.

c. Every person entitled to vote should have the right to do so either in person or by written proxy, which will be revoked, by the presence, plus the voting, of the person giving the proxy at any meeting. A proxy shall be valid only if manually signed by the Member with indication of the name of the proxy-giver. A proxy shall be valid only for the specific meeting for which it is indicated and any adjournments thereof. If no meeting is indicated, it shall not be valid at all.

4. Members' Vote. Each Voting Member shall be entitled to cast one (1) vote for the measure or directorship being submitted to vote. The Chairman of the inspectors, if any, and failing same,

the counters shall report to the Secretary, who shall announce the results of secret elections. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected.

5. Only written ballots will be taken.

6. Inspectors of Election. In advance of any meeting of Members, the Board of Directors may, if they so elect, appoint inspectors of election to act at such meeting or any adjournment thereof. If inspectors of election be not so appointed or if any person(s) so appointed fail(s) to appear or refuse to act, the Chairman may, and on the request of any member or his or her proxy must, make such appointment at the meeting. The number of inspectors shall be either one (1) or three (3) as determined by the Directors and failing such, by a majority of the Members present at the meeting. Inspectors shall:

- Determine the number of voting memberships outstanding,
- Determine the voting power of such membership,
- Determine the number of votes represented at each meeting,
- Determine the existence of a quorum at the meeting,
- Determine the validity and effect of each proxy,
- Tally votes, ballots, and consents,
- Hear and determine all challenges to the right to vote,
- Determine when the polls shall close,
- Determine the result of each vote.

ARTICLE 6 - PLACE OF BUSINESS

The principal place of business of this Corporation is 221 Via Fabricante, San Clemente, Calif. 92672.

ARTICLE 7 - RECORDS AND REPORTS

Section A - Required Books and Records

This corporation shall and must keep:

1. Adequate and correct books of: a) records of income and b) expenditures of account; records or account, including accounts of its properties and business transactions and accounts of its assets, liabilities, receipts, disbursements, gains and losses;

2. Written minutes (which includes printed copies of cathode ray tube and similar electronic communication method) of the proceedings and resolutions of its Members, Board, and any Board-appointed committees indicating the time and place of holding meetings, how called and noticed, whether a quorum was present,

and the decisions there made;

3. A record of its Members giving their names and addresses and date membership terminated and voting power of each if different from other;

4. If this Corporation receives at least \$25,000.00 in revenues per year, it shall prepare for its Members and any districts, annually, an annual report containing in appropriate detail:

a. The assets and liabilities, including the trust funds, of the Corporation as of the end of the fiscal year; plus

b. The principal changes in assets and liabilities, including trust funds during each fiscal year; and

c. The revenue or receipts of the Corporation whether restricted or not, during the fiscal year; and

d. The expenses and disbursements for all purposes, during the fiscal year; plus

e. A statement of any transaction or indemnification if more than \$50,000.00 above or in aggregate involving any Director or otherwise as required by law; and

f. The annual report shall be accompanied by any report thereon of independent accountant(s), and failing such by a certificate of the Treasurer that such report was prepared without audit from the books and records of the corporation.

Section B - Inspection Rights

1. Every Director shall have the absolute right at any and all reasonable times to inspect and copy all records, books and documents of this corporation and to inspect all of its physical properties for a purpose reasonably related to such Director's interests as a Director.

2. Every member may inspect all accounting books and records and minutes of the Members and Board and committees and of Members' names and address records at all reasonable times upon five (5) days written notice, for a purpose reasonably related to the member's interest as a member which must be stated in the request.

3. Inspection rights may be exercised by the person who has the right or by his/her agent.

ARTICLE 8 - AMENDMENTS

1. New Bylaws may be adopted and these Bylaws amended or repealed only by approval of a majority of the Members or their proxies present at a duly called and held meeting whereat a majority of

the members are present in person or by proxy or by a majority of the members by written assent of the Members. Wherever these Bylaws require for any action the approval of more than a majority, such provision shall not be altered, amended or repealed except by such greater vote of the particular members whose approval is required for such action.

2. Each amendment to these bylaws shall be noted from time to time on a single copy of the bylaws of this Corporation that shall be kept with the Original Bylaws and Minutes.

-End of Bylaws-