

The liability of this corporation's agents (as defined in Section 5238(a) of the California Nonprofit Public Benefit Law) shall be eliminated to the fullest extent permissible under California law. This corporation is authorized to provide indemnification of any such agents through bylaw provisions, agreements with such agents, vote of disinterested directors, or otherwise, to the fullest extent permissible under California law. Any amendment, repeal or modification of any provision of this Article 9 shall not adversely affect any right or protection of an agent of this corporation existing at the time of such amendment, repeal or modification.

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No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and this corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of or in opposition to any candidate for public office.

ARTICLE IV

Neither these articles of incorporation nor the bylaws of this corporation may be amended without the approval by resolution of the City Council of the City of Sacramento and the affirmative vote of 100% of the Board of Directors.

ARTICLE V

Upon dissolution of or winding up of the affairs of this corporation, all of this corporation's assets remaining after payment of or provision for payment of all debts and liabilities of this corporation shall be and become the assets of the City of Sacramento.

ARTICLE VI

The directors of this corporation shall be appointed by, and shall be subject to removal and replacement, with or without cause, by, resolution duly adopted by the City Council of the City of Sacramento.

ARTICLE VII

The City Council of the City of Sacramento shall have the right to approve by resolution the annual budget of this corporation, and to approve by resolution in advance any borrowing transaction including, but not limited to, approval of repayment schedules and procedures.

ARTICLE VIII

The liability of this corporation's agents (as defined in Section 5238(a) of the California Nonprofit Public Benefit Law) shall be eliminated to the fullest extent permissible under California law. This corporation is authorized to provide indemnification of any such agents through bylaw provisions, agreements with such agents, vote of disinterested directors, or otherwise, to the fullest extent permissible under California law. Any amendment, repeal or modification of any provision of this Article 9 shall not adversely affect any right or protection of an agent of this corporation existing at the time of such amendment, repeal or modification.

corporation lessen the burdens of government by assisting the City of Sacramento, California, including its Office of Economic Development and the Redevelopment Agency, (collectively, the "City") to revitalize areas within the City and assist in economic growth within the City by (i) owning, acquiring, developing, financing (including but not limited to loaning money in connection with), assisting, leasing and managing projects in areas within the City; (ii) providing amenities associated with any projects undertaken by this corporation; (iii) providing financial support and other assistance to businesses and individuals within the City for the purpose of promoting economic growth within the City; (iv) assisting businesses within the City to encourage, attract, retain and expand job opportunities in the City; (v) assisting the City in its efforts to promote economic growth and otherwise revitalize areas within the City; (vi) making payments to the City for public purposes, and (vii) conducting or performing any ancillary or related activity in furtherance of the foregoing. This corporation shall be permitted to conduct other lawful activities permitted under the California Nonprofit Public Benefit Corporation Law.

Article IV

Members

This corporation shall have no members within the meaning of the California Nonprofit Public Benefit Corporation Law. Subject to the terms of the articles of incorporation of this corporation, any action which would otherwise require approval by a majority of all members or approval by the members shall require only approval of the Board. All rights which would otherwise vest in the members shall vest in the Board.

Article V

Directors

1. Number of Directors. Subject to the requirements of subsection 4(d) of this Article V, the authorized number of directors of this corporation shall be not less than three (3) nor more than five (5), and the exact number of directors shall be five (5) until changed, within the limits specified above, by a resolution amending such exact number, duly adopted by the Board and approved by resolution of the Sacramento City Council.

2. Terms of Directors. The directors shall be divided into three classes, with the term of office of the first class, which class shall initially consist of one director, to expire on January 1, 2001; the term of office of the second class, which class shall initially consist of two directors, to expire on January 1, 2002; the term of office of the third class, which class shall initially consist of two directors, to expire on January 1, 2003; and thereafter the term of each class of directors shall be for three years from the date of the last appointment of directors of such class. Any additional persons appointed to the Board of Directors shall be classified at the discretion of the Sacramento City Council.

3. Nomination and Removal of Directors. Subject to the requirements of subsection 4(d) of this Article V, all directors shall be nominated by the Board and shall be appointed pursuant

(vii) Adopt, use and alter the form of a corporate seal.

c. **Limitations on Powers.** The general and specific powers set forth above shall be exercised subject to the following limitations:

(i) Neither these bylaws nor the articles of this corporation may be amended without the approval by resolution of the Sacramento City Council.

(ii) Upon dissolution of, or winding up the affairs of this corporation, all of this corporation's assets remaining after payment or provision for payment of all debts and liabilities of this corporation shall be and become the assets of the City of Sacramento.

(iii) The Sacramento City Council shall have the right to approve by resolution the annual budget of this corporation pursuant to Article XI of these bylaws, and to approve by resolution in advance any borrowing transaction including, but not limited to, approval of repayment schedules and procedures.

d. **Restrictions on Interested Persons as Directors.** At any time, no more than forty-nine percent (49%) of the persons serving on the Board or on any committee of the Board established pursuant to Article VI hereof may be "interested persons." An interested person is (i) any person compensated by this corporation or the City of Sacramento for services rendered to it within the previous 12 months, whether as an officer, full-time or part-time employee, independent contractor, or otherwise, excluding compensation and reimbursement of expenses paid to a director pursuant to subsection 6(h) of this Article V; or (ii) 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 such person; provided, however, that any violation of this paragraph shall not affect the validity or enforceability of transactions entered into by this corporation.

5. Vacancies on the Board of Directors.

a. **Events Causing Vacancies on the Board of Directors.** A vacancy or vacancies on the Board shall occur in the event of (i) the death or resignation of any director; (ii) the declaration by resolution of the Board of a vacancy in the office of a director who has been convicted of a felony, declared of unsound mind by a court order, or found by final order or judgment of any court to have breached a duty under the California Nonprofit Public Benefit Corporation Law, Chapter 2, Article 3; (iii) the removal, with or without cause, of a Board member by resolution of the Sacramento City Council; or (iv) an increase in the authorized number of directors.

b. **Resignation of Directors.** Subject to the provisions of Section 5226 of the California Nonprofit Public Benefit Corporation Law, any director may resign by giving written notice to the Chair of the Board. The resignation shall be effective when the notice is given unless it specifies a later time to become effective.

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, 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 meeting.

Notwithstanding the foregoing, noticing and conduct of such special, annual and other regular meetings shall be in accordance with the Ralph M. Brown Act, Government Code Sections 54950 *et seq.* (the "Brown Act"). The agenda procedures for Board meetings shall conform to said statutory procedures, except that as permitted by law the Board may utilize abbreviated agenda procedures.

e. **Quorum.** A majority of the authorized number of directors shall constitute a quorum for the transaction of any business except adjournment. Every action taken or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be an act of the Board, subject to the more stringent provisions of the California Nonprofit Public Benefit Corporation Law including, but not limited to, those provisions relating to (i) approval of contracts or transactions in which a director has a direct or indirect material financial interest; and (ii) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of some directors, if any action taken or decision made is approved by at least a majority of the required quorum for that meeting.

f. **Participation in Meetings by Conference Telephone.** To the extent permitted by and subject to the provisions of the Brown Act, members of the Board may participate in a meeting through use of conference telephone, electronic video screen communication or other communications equipment, so long as (i) all members participating in such meeting can hear and communicate with all other members concurrently, (ii) each member is provided the means of participating in all matters before the Board, including, without limitation, the capacity to propose or interpose an objection to a specific action to be taken by the Board, and (iii) the Board adopts and implements some means of verifying that (A) each person participating in the meeting is a director or other person entitled to participate in the meeting and (B) all actions of, or votes by, the Board are taken or cast only by the directors and not by persons who are not directors.

g. **Adjournment; Notice of adjourned meeting.** To the extent permitted by and subject to the provisions of the Brown Act, a majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place is fixed at the meeting adjourned, except as provided in the next sentence. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

h. **Compensation and Reimbursement.** Each director of this corporation shall receive five hundred dollars (\$500.00) for each meeting of the Board attended by such director up to a maximum of four thousand dollars (\$4,000) per year. The Board may from time to

or nondirectors only. Advisory committees have no legal authority to act for this corporation but shall report their findings and recommendations to the Board.

Article VII

Officers

1. Officers. The officers of this corporation shall be a Chair of the Board, Chief Executive Officer, Secretary, and Chief Financial Officer. The corporation may also have, at the discretion of the Board, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article VII. Any number of offices may be held by the same person, except as provided in the articles of incorporation or in these bylaws.

2. Appointment of Officers. The officers of this corporation, except those appointed in accordance with the provisions of Section 3 or Section 6 of this Article VII, shall be chosen annually by the Board, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

3. Subordinate Officers. The Board may appoint, and may authorize the Chair of the Board or the Chief Executive Officer or another officer to appoint, any other officers that the business of this corporation may require, each of whom shall have the title, hold office for the period, have the authority, and perform the duties specified in these bylaws or determined from time to time by the Board.

4. Removal of Officers. Without prejudice to the rights of any officer under an employment contract, the Board may remove any officer with or without cause.

5. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board. The resignation shall take effect on the date the notice is received or at any later time specified in the notice. Unless otherwise specified in the notice, the resignation need not be accepted to be effective. Any resignation shall be without prejudice to any rights of this corporation under any contract to which the officer is a party.

6. Vacancies in Office. If a vacancy occurs in any office because of death, resignation, removal, disqualification, or any other cause, the Board shall appoint an officer to fill the vacancy. Each officer so appointed shall hold office until the expiration of the term of the replaced officer.

7. Responsibilities of Officers.

a. Chair of the Board. The Chair of the Board shall preside at Board meetings and shall exercise and perform such other powers and duties as the Board may assign from time to time. If a Chief Executive Officer has not been appointed by the Board, the Chair of the Board shall also be the Chief Executive Officer and shall, subject to the control of the Board, generally supervise, direct, and control the business and the officers of this corporation.

directly or indirectly, in any contract or transaction, unless (a) the material facts regarding the financial interest of the director or officer in such contract or transaction or regarding such common directorship, officership, or financial interest are fully disclosed in good faith and noted in the minutes, or are known to all members of the Board prior to the Board's consideration of such contract or transaction; (b) such contract or transaction is authorized in good faith by a majority of the Board by a vote sufficient for that purpose without counting the votes of the interested directors; (c) before authorizing or approving the transaction, the Board considers and in good faith decides after reasonable investigation that this corporation could not obtain a more advantageous arrangement with reasonable effort under the circumstances; or (d) this corporation for its own benefit enters into the transaction, which is fair and reasonable to this corporation at the time the transaction is entered into.

2. Loans to Directors and Officers. This corporation shall not lend any money or property to, or guarantee the obligation of, any director or officer without the approval of the California Attorney General; provided, however, that this corporation may advance money to a director or officer of this corporation for expenses reasonably anticipated to be incurred in the performance of his or her duties if that director or officer would be entitled to reimbursement for such expenses by this corporation.

Article IX

Indemnity and Insurance

1. Indemnity. To the fullest extent permitted by law, this corporation shall indemnify its agents (as defined in Section 5238(a) of the California Nonprofit Public Benefit Law) against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding", as that term is used in that Section, and including an action by or in the right of this corporation, by reason of the fact that the person is or was a person described in that Section. "Expenses", as used in this bylaw, shall have the same meaning as in Section 5283(a) of the California Nonprofit Public Benefit Law.

On written request to the Board by any person seeking indemnification under Section 5238(b) or Section 5238(c) of the California Nonprofit Public Benefit Law, the Board shall promptly decide under Section 5238(e) of the California Nonprofit Public Benefit Law whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) of the California Nonprofit Public Benefit Law has been met and, if so, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to that proceeding, the court in which such proceeding is or was pending upon application made by this 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 this corporation, shall determine under Section 5238(e) of the California Nonprofit Public Benefit Law whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the court shall authorize indemnification.

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

b. The principal changes compared to the end of the prior fiscal year in this corporation's assets and liabilities, including trust funds;

c. The corporation's revenue or receipts, both unrestricted and restricted to particular purposes during the fiscal year;

d. The corporation's expenses or disbursements for both general and restricted purposes during the fiscal year;

e. An independent accountants' report or, if none, the certificate of an authorized officer of this corporation that such statements were prepared without audit from this corporation's books and records.

2. Annual Statement of Certain Transactions and Indemnifications. As part of the annual report, this corporation shall, within a reasonable period of time after the end of this corporation's fiscal year, annually prepare and mail or deliver to each director a statement of any transaction or indemnification of the following kind:

a. Any transaction (i) in which this corporation was a party, (ii) in which an "interested person" had a direct or indirect material financial interest, and (iii) which involved more than \$50,000 or was one of several transactions with the same interested person involving, in the aggregate, more than \$50,000.

The statement shall include a brief description of the transaction, the names of interested persons involved, their relationship to this corporation, the nature of their interest in the transaction and, if practicable, the amount of that interest, provided that if the transaction was with a partnership in which the interested person is a partner, only the interest of the partnership need be stated.

b. Any indemnifications or advances aggregating more than \$10,000 paid during the fiscal year to any other officer or director of this corporation under Section 5238 of the California Nonprofit Public Benefit Corporation Law.

3. Annual Budget. For any fiscal year of this corporation in which this corporation owns or reasonably expects to own any assets or properties:

a. **Preparation of proposed budget.** The Chief Financial Officer shall present a proposed fiscal year budget to the Board on or before November 1 for the succeeding fiscal year. The proposed budget shall conform to all applicable accounting procedures and practices, and shall contain the recommendations of the Chief Financial Officer. Following public budget hearings, the Board shall adopt by resolution a budget of proposed expenditures and appropriations necessary therefor for the ensuing fiscal year, failing which the appropriations for

entity. This corporation must have a separate telephone number, stationery and other business forms.

6. All customary formalities regarding the corporate existence of this corporation, including holding meetings of the Board and maintaining separate current and accurate minute books, shall be observed.

~~7. This corporation shall retain as its accountants a nationally recognized firm of independent certified public accountants, provided that such accountants may also serve as accountants of the City of Sacramento.~~

7. ~~8.~~ All business transactions entered into by this corporation with the City of Sacramento shall be on such terms and conditions (including terms relating to amounts paid thereunder) as would be generally available in a comparable arms-length transaction, and shall be approved by the Board.

8. ~~9.~~ This corporation shall not guarantee or assume or hold itself out or permit itself to be held out as having guaranteed or assumed any liabilities or obligations of the City of Sacramento.

9. ~~10.~~ This corporation shall not pledge its assets for the benefit of the City of Sacramento or any other entity.

10. ~~11.~~ This corporation shall not hold out its credit as being available to satisfy the obligations of others.

11. ~~12.~~ This corporation shall conduct its business in its own name.

~~13. The financial statements of this corporation, reported in the annual financial report of the City of Sacramento, shall disclose the effects of all transactions contemplated by the Bond Documents (as defined in the Loan Agreement dated as of April 1, 1999 (the "Loan Agreement"), by and between the corporation and the Sacramento City Financing Authority (the "Authority")) in accordance with generally accepted accounting principles and make it clear that this corporation is separate from the City of Sacramento.~~

12. ~~14.~~ This corporation shall correct any known misunderstanding regarding its separate identity.

13. ~~15.~~ Other than organizational expenses, this corporation shall pay its own liabilities, indebtedness and obligations of any kind, including all administrative expenses, from its own separate assets.

14. ~~16.~~ Assets of this corporation shall be separately identified, maintained and segregated and shall not be commingled with the assets of any other entity except pursuant to the Bond Documents. This corporation's assets shall at all times be held by or on behalf of this

2. Representation of Shares of Other Corporations. The Chair of the Board, the Chief Executive Officer and any other officer or officers authorized by the Board are each authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority herein granted may be exercised either by any such officer in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officer.

3. 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.

4. Fiscal Year. The corporation's fiscal year shall commence on January 1 of each calendar year, and end on December 31st of the following calendar year. The period of time between the date of incorporation and the immediately succeeding December 31st shall be deemed to be this corporation's first fiscal year.

Article XIII

Nonpartisan Activities

This corporation has been formed under the California Nonprofit Public Benefit Corporation Law as a charitable and public organization, and it shall be nonprofit and nonpartisan. No substantial part of the activities of this corporation shall consist of the public or dissemination of materials with the purpose of attempting to influence legislation, and this corporation shall not participate or intervene in any political campaign on behalf of any candidate for public office or for or against any cause or measure being submitted to the people for a vote.

The corporation shall not, except in an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes set forth in Article III hereof.

Article XIV

Dedication Of Assets

The properties and assets of this corporation are irrevocably dedicated to fulfillment of the objectives and purposes of this corporation as set forth in its articles of incorporation and these bylaws. No part of the net earnings, properties, or assets of this corporation, on dissolution or otherwise, shall inure to the benefit of any private person or individual, except that this corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its charitable purposes. On liquidation or dissolution, all properties and assets remaining after payment or provision for payment of all debts and liabilities shall be distributed to the City of Sacramento.