

**BYLAWS OF
MORGAN HILL DOWNTOWN ASSOCIATION, INC.
A California Nonprofit Mutual Benefit Corporation**

1. NAME

The name of this corporation is MORGAN HILL DOWNTOWN ASSOCIATION, INC. ("MHDA" or the "Association").

2. CORPORATE OFFICES

- 2.1 **PRINCIPAL OFFICE:** The principal office for the transaction of the activities and affairs of this corporation is located at 17490 Monterey Road, Suite 4, Morgan Hill, in Santa Clara County, California 95037.
- 2.2 **CHANGE OF ADDRESS:** The Board of Directors is granted full power and authority to change the location of the principal office to another location in the City of Morgan Hill. Any such change of location must be noted by the Secretary in these bylaws, but will not be considered an amendment of these bylaws.
- 2.3 **OTHER OFFICES:** The Board of Directors may at any time establish branch or subordinate offices at any place or places where this corporation is qualified to conduct its activities.

3. PURPOSES

- 3.1 **MISSION STATEMENT:** Promoting downtown Morgan Hill as a vibrant place to shop, work, dine, play, and live.
- 3.2 **OBJECTIVE:** The purposes for which this Association is organized are to stimulate downtown economic development in Morgan Hill through (1) organization (encouraging cooperation and building leadership in the business community); (2) promotion (creating a positive image for downtown by promoting and marketing the downtown as an exciting place to live, shop and invest); (3) design and implementation (improving the appearance and atmosphere of the downtown); (4) economic visioning (strengthening and expanding the economic base of the downtown); and (5) to receive, administer and distribute funds in connection with any activities related to the above purposes.
- 3.3 **NON-PROFIT ORGANIZATION:** It is the intent of the Association to function as a non-profit organization. No part of the net earnings of the Association shall inure to the benefit of any of its members or any other individual; and the Association shall not participate in, or intervene in, any political campaign. The MHDA operates as a 501c6, non-profit organization.

- 3.4 **DISTRIBUTION OF ASSETS ON DISSOLUTION:** Upon dissolution of the Association, the residual assets of the Association shall be distributed to a private, non-profit corporation, which is a tax exempt organization. Selection of which corporation may be designated prior to dissolution.

4. CONSTRUCTION AND DEFINITIONS

- 4.1 Unless the context requires otherwise, the general provision, rules of construction and definition in the California Nonprofit Corporation Law shall govern the construction of these bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes the feminine and neuter, singular includes the plural, the plural includes the singular, and the term "person" includes both legal entity and natural person.
- 4.2 Boundary of organizational interest and influence: Southern boundary: Myrtle Avenue/Ciolino Avenue; northern boundary is Wright Avenue; Eastern Boundary: Butterfield Boulevard; western boundary is Del Monte Avenue.
- 4.3 For the purposes of membership Morgan Hill would be those residential and business addresses within the 95037 and 95038 zip codes as established by the United States Postal Service.

5. MEMBERSHIP

- 5.1 **GENERAL MEMBERSHIP:** Any individual, family, partnership, or corporation owning or renting real property or conducting business at a fixed place within the MHDA's boundaries, or is a resident of Morgan Hill and having an interest in the objectives of the Association, shall be eligible to apply for General Membership.
- 5.2 **ASSOCIATE MEMBERSHIP:** Any individual, family, partnership, or corporation ineligible for General Membership, but has an interest in the objectives of the MHDA, shall be eligible to apply for an Associate Membership. Associate Membership shall include all of the privileges of a General Membership except that of voting.
- 5.3 **NON-PROFIT ORGANIZATION MEMBERS:** Any non-profit association or organization having an interest in the objectives of the MHDA shall be eligible to apply for a Non-Profit Organization Membership. Non-Profit Organization Membership shall include all privileges of a General Membership except that of voting.
- 5.4 **DUES:** Each member shall agree to abide by the bylaws and to pay requisite dues. The dues shall be paid annually on or before January 1, or at the time a new member joins the MHDA. The amount of dues shall be decided annually not later

than the December meeting of the Board of Directors in accordance with the budgetary requirements of the Association.

- 5.5 ANNUAL MEETINGS: The Annual Meeting of the membership shall be held no later than December 15 in each calendar year at such time and place as may be determined by the Board of Directors for the purposes of electing officers and transacting such other business as may be properly brought before the meeting.
- 5.6 SPECIAL MEETINGS: Special meetings for the membership shall be held at any time and place as may be designated in the notice of said meeting, upon call of the President or the Board of Directors either at their own request or upon written petition by at least 25% of the active general members.
- 5.7 NOTICE OF MEETINGS: Written notice of every meeting to the membership, stating the place, date and hour of the meeting, shall be given either personally, by mail or by email to each member no less than seven (7), or more than fifty (50) days before the date of the meeting. If mailed, such notice shall be deemed delivered when deposited in the United States mail with postage thereon prepaid, addressed to the member at their addresses as they appear on the Association's record of membership. Attendance of a member at a membership meeting shall constitute a waiver of notice of meeting, or manner in which it has been called or convened, except when a member attends a meeting solely for the purpose of stating, at the beginning of the meeting, any such objection to the transaction of any business. Other interested parties shall be given such notice of meetings as the Board of Directors shall deem appropriate. Nonmembers and representative or proxies of members may attend membership meetings, but will not be allowed to vote on any issues. Absent members may vote by signed, written proxy.
- 5.8 QUORUMS: Ten percent (10%) of the general voting members, present in person shall constitute a quorum for the transaction of business at all meetings of the membership, except as otherwise provided by statute, or by these bylaws. If a quorum is not present, no voting action can be taken.
- 5.9 VOTING: When a quorum is present at any meeting, the vote of a majority of the active general members present, in person, shall decide any questions brought before such meetings, unless the bylaws require a different vote, in which cases such express provisions shall govern and control the decision.
- 5.10 PARLIAMENTARY PROCEDURE: The Standard Code of Parliament Procedure ("Sturgis") shall govern the parliamentary procedures of the Association. The order of business may be altered or suspended at any meeting by a majority vote of the active general members present.

6. BOARD OF DIRECTORS

- 6.1 **GENERAL POWERS:** Subject to the provisions and limitations of the California Nonprofit Mutual Benefit Corporation Law, and any other applicable laws, the corporations, activities and affairs shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors.
- 6.2 **NUMBER AND QUALIFICATION FOR DIRECTORS:** The Board of Directors shall consist of thirteen (13) members one of whom shall be a liaison representative of the City of Morgan Hill ("City Liaison") and one of whom shall be a liaison representative of the Morgan Hill Chamber of Commerce ("Chamber Liaison"). The remaining eleven (11) Directors shall be over the age of 18 years old and shall be individual General Members of the MHDA. The Board members who are the City Liaison and the Chamber Liaison shall not vote. Business vitality is a primary focus of the Association therefore business operator representation on the Board is encouraged. It is preferred that there be a simple majority of business operators on the Board if possible, to that end relaxing of enforcement in term limits, roles as officers, committee commitments, etc... may take place at the discretion of the Board to encourage ongoing business operator participation.
- 6.3 **INTERESTED PERSONS:** No more than forty-nine percent (49%) of the persons serving on the Board of Directors may be "interested persons". An interested person is (a) any person compensated by the corporation for services rendered to it within the previous twelve (12) months, whether as a full-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a Director as Director; and (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 such person. However, any violation of Section 6.3 shall not affect the validity or enforceability of transaction entered into by the corporation.
- 6.4 **NOMINATING COMMITTEE:** A nominating committee shall be appointed in October of each year. The President shall appoint two (2) members of the Board of Directors and the Board of Directors shall appoint three (3) General Members for a total of five (5). The nomination committee shall make a report to the Board of Directors at their first meeting in November. The elections shall be held at the General Membership meeting to be held no later than December 15. The names of the nominating committee will be published in the election notice. The election notice shall also state, "Nominations will be accepted from the floor."
- 6.5 **ELECTIONS:** Motions and votes will be accepted only from General Members in good standing. There shall be one (1) vote per General Member.

- 6.6 TERMS: Directors shall serve a three (3) year term, and serve no more than two (2) consecutive terms.
- 6.7 VACANCIES: Any vacancy occurring on the Board Directors, (other than a vacancy resulting from the normal expiration of a term of office) may be filled by the affirmative vote of a majority of the current members of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office. Any Director may resign by submitting written notice or resignation to the Secretary. Any Director may be removed from office at any time with or without cause by the affirmative vote of two-thirds of the Directors in office. A vacancy or vacancies on the Board of Directors shall occur in the event of (a) the death or resignation of any Director; (b) the declaration by resolution of the Board of Directors 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 California Nonprofit Mutual Benefit Corporation Law, Chapter 2, Article 3; or (c) the increase of the authorized number of Directors under Section 6.2 of these bylaws. Vacancies on the Board of Directors may be filled by approval of the Board of Directors.
- 6.8 REMOVAL: Any Board or committee member who is absent for more than three (3) duly called consecutive meetings, without good cause, or who displays conduct detrimental to the purposes described in Section 3.2, or who does not adhere to the proper organizational structure described in Sections 6.2, 6.17.1, 6.17.2, and 6.17.3, may be removed from office by a majority vote of the Board of Directors. This procedure can occur without prior notice of the Board of Directors.
- 6.9 MEETINGS: The Board of Directors of the Association may hold regular and special meetings. Regular meetings shall be held not less than six (6) times each year. Special meetings of the Board may be called by the President, or by the Executing Committee ("Board of Officers"), or by four or more Directors. Written notice of the time, place and agenda for both regular and special meetings shall be given to each Director either by personal delivery or by mail, phone, facsimile or email at least five (5) days before the meeting.
- 6.10 QUORUM: At all meetings of the Board of Directors, a majority of voting members thereof shall constitute a quorum for the transaction of business. If a quorum shall not be present at the commencement of any meeting of the Board, the Directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until quorum shall be present.
- 6.11 RESIGNATION: Except as provided below, any Director may resign by giving written notice to the Chairman of the Board, if any, or to the President or the Secretary of the Board. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective. If a Director's resignation is effective at a later time, the Board of Directors may elect

a successor to take office as the date when the resignation becomes effective. Except on notice to the California Attorney General, no Director may resign if the corporation would be left without a duly elected Director or Directors.

6.12 EFFECT OF REDUCTION: Any reduction of the authorized number of Directors shall not result in any Director being removed before his or her term of office expires.

6.13 ANNUAL GENERAL MEETING: Once a year, the Board of Directors shall hold a general meeting for purposes of organization, ratification of officers, and transaction of other business.

Notice of this meeting shall be given to all Directors and members by first-class mail, postage prepaid, or by email. Other general meetings of the Board of Directors may be held without notice at such time and place as the Board of Directors may fix from time to time.

6.14 SPECIAL MEETINGS: Special meetings of the Board of Directors for any purpose may be called at any time by the Chairman of the Board, if any, the President or any Vice President, the Secretary, or any two (2) Directors. Notice of the time and place of the special meeting shall be given to each Director by (a) personal delivery of written notice; (b) first-class mail, postage prepaid; (c) telephone, including a voice messaging system or other system or technology designated to record and communicate messages, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate that notice promptly to the Director; (d) telegram; (e) facsimile; (f) electronic mail; or (g) other electronic means. All such notices shall be given or sent to the Director's address or telephone number as shown on the corporation's records.

Notices sent by first-class mail shall be deposited in the United States mail at least four days before the time set for the meeting. Notices given by personal delivery, telephone, electronic mail, or telegraph shall be delivered, telephoned, sent or given to the telegraph company, respectively, at least forty-eighth (48) hours before the time set for the meeting.

The notice shall state the time of the meeting and the place, if the place is other than the corporation's principal office. The notice need not specify the purpose of the meeting.

6.15 ACTION WITHOUT MEETING: Any action that the Board of Directors is required or permitted to take may be taken without a meeting if all Board members consent to writing the action; provided, however, that the consent of any Director who has a material financial interest in a transaction to which the corporation is a party and who is an "interested Director" as defined in Corporation code section 5233 shall not be required for approval of that

transaction. Such action by written consent shall have the same force and effect as any other validly approved action of the Board. All such consents shall be filed with the minutes of the proceedings of the Board.

6.16 COMPENSATION AND REIMBURSEMENT: Directors shall serve without compensation. Directors may receive such reimbursement of expenses as the Board may establish by resolution to be just and reasonable to the corporation at the time that the resolution is adopted.

6.17 COMMITTEES:

6.17.1 COMMITTEES: The Board of Directors, by resolution adopted by a majority of the Directors then in office, may create one or more committee(s), comprised exclusively of members of the Board. Members of committees shall serve at the pleasure of the Board. Appointment to committees shall be by majority vote of the Directors then in office. The Board may appoint one Director as the chair of any such committee, and may appoint one or more Directors as alternate members of any such committee, who may replace any absent member at any meeting. Any committee comprised of exclusively Board members shall have all the authority of the Board, to the extent provided in the Board resolution, except that no committee may:

- (a) Take any final action on any matter that, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the members or approval of a majority of all members;
- (b) Fill vacancies on the Board or any committee of the Board;
- (c) Fix compensation of the Directors for serving on the Board or on any committee;
- (d) Amend or repeal bylaws or adopt new bylaws;
- (e) Amend or repeal any resolution of the Board that by its express terms is not so amendable or repealable;
- (f) Create any other committees of the Board or appoint the members of the committees of the Board;
- (g) Expend corporate funds to support a nominee for Director if more people have been nominated for Director that can be elected; or
- (h) Approve any contract or transaction to which the corporation is a party and in which one or more of its Directors has a material financial interest, except as special approval is provided for in Corporations Code section 5233 (d) (3).

6.17.2 SUBCOMMITTEES: The Board, by resolution adopted by a majority of the Directors then in office, may create one or more subcommittees. Members of subcommittees shall serve at the pleasure of the Board. Appointments to subcommittees shall be by a majority vote of the Directors then in office. The Board may appoint one person as the chair of any such subcommittee, and may appoint one or more persons as alternate members of any such subcommittee, who may replace any absent member at any meeting.

6.17.3 COMMITTEE AND SUBCOMMITTEE MEETINGS: Meetings and actions of committees and subcommittees of the Board shall be governed by, held and taken under the provisions of these bylaws concerning meetings and other Board actions, except that the time for general meetings of such committees and the calling of special meetings and such committees may be set either by Board resolution or, if none, by resolution of the committee. Minutes of each meeting shall be kept and shall be filed with the corporate records. The Board may adopt rules for the governance of any committee as long as the rules are consistent with these bylaws. If the Board has not adopted rules, the committee may do so.

6.18 EXECUTIVE DIRECTOR: An Executive Director may be hired by the Board of Directors to implement, under the direction of the Board, the economic development purposes of the Association as stated in Section 3.2 of these bylaws. The Executive Director of the Association shall be a non-voting member of the Board of Directors and shall be present at all meetings of the Board of Directors and standing committees. The Executive Director can be removed from office at any time with or without cause by the affirmative vote of two-thirds of the Directors in office.

7. OFFICERS OF THE CORPORATION

7.1 OFFICES HELD: The officers of this corporation shall be a President, Vice-President, Secretary and Treasurer. The corporation, at the Board's direction, may also have a separate Chairman of the Board, one or more Vice-Presidents, one or more Assistant Secretaries, one or more Assistant Financial Officers and such other officers as may be appointed by the Board of Directors.

Any number of offices may be held by the same person, except that neither the Secretary nor the Treasurer may serve concurrently as whether the President or the Chairman of the Board.

Members of the Board of Directors may be nominated for an officer position only after one (1) complete year of service on the Board unless under such circumstances that no other Board member may qualify for nomination.

- 7.2 ELECTON OF OFFICERS & TERMS: The officers of this corporation shall be chosen annually by the Board of Directors for one-year terms, with a maximum of three consecutive one year terms, to be voted upon by the Board of Directors annually. Officers shall serve at the pleasure of the Board, except that if appointed in his last year as a Board member, the President shall agree to serve at least one additional year following the termination of his/her presidency.
- 7.3 REMOVAL OF OFFICER: The Board of Directors may remove any officer with or without cause.
- 7.4 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 the corporation under any contract which the officer is a party.
- 7.5 VACANCIES IN OFFICE: A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these bylaws for normal appointments to that office, provided, however, that vacancies need not to be filled on an annual basis.
- 7.6 RESPONSIBILITES OF OFFICERS:
- 7.6.1 PRESIDENT: Subject to such supervisory powers the Board may give to the Chairman of the Board, if any, and subject to the control of the Board, the President shall be the general manager of the corporation and shall supervise, direct, and control the corporation's activities, affairs and officers. The President shall preside at all members' meetings and, in the absence of the Chairman of the Board or if none, at all Board meetings. The President will be the primary point of contact for communications with governmental agencies. The President shall propose for approval by the executive Committee the monthly Board of Director meeting agenda. The President shall have such other powers and duties as the Board or the bylaws may require.
- 7.6.2 VICE PRESIDENT: The Vice President of the Association shall act in place of the President, whenever needed. In members' meetings, and Board meetings, the Vice President shall preside in the absence of the President or whenever the President temporarily vacates his/her chair. The Vice President will coordinate with the President the attendance of representatives at meetings with governmental agencies and other organizations. The Vice President will be the primary point of contact and Board liaison for the committees of the organization when necessary. The Vice President will be the primary point of contact and liaison with the Morgan Hill Chamber of Commerce. The Vice President shall commit to being accessible and

responsive to the members of the organization and the community of Morgan Hill at large.

- 7.6.3 SECRETARY: The Secretary shall keep or cause to be kept, at the corporation's principal office or such other place as the Board may direct, a book of minutes of all meetings, proceedings, and actions of the Board, of committees of the Board, and of member's meetings. The minutes of meetings shall include the time and place that the meeting was held; whether the meeting was annual, general, or special, and if special how authorized; the notice given; the names of persons present at the Board and committee meetings; and the number of members present or represent at member's meetings.

The Secretary shall keep or cause to be kept, at the corporation's principal office, a copy of the articles of incorporation and bylaws, as amended to date.

The Secretary shall give, or cause to be given, notice of all meetings of the Board and of committees of the Board that these bylaws require to be given. The Secretary shall keep the corporate seal, if any, in safe custody and shall have such other powers and perform such other duties as the Board or the bylaws may require.

- 7.6.4 TREASURER: The Treasurer shall maintain in good order all financial records of the Association. The Treasurer shall also have such duties as may be assigned by the membership or the Board of Directors.

8. CONTRACTS WITH DIRECTORS AND OFFICERS

No Director of this corporation, nor any other corporation, firm, association, or other entity in which one or more of this corporation's Directors are Directors, or have a material financial interest, shall be interested, directly or indirectly, in any contract or transaction, unless: (a) the material facts regarding that Director's financial interest in such contractor transaction or regarding such common directorship, officership, or financial interest are fully disclosed in good faith and noted in 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 the purpose without counting the votes of the interested; (c) before authorizing or approving the transaction, the board considers and in good faith decides after reasonable investigation that the corporation could not obtain a more advantageous arrangement with reasonable effort under the circumstances; and (d) the corporation for its own benefit enters into the transaction, which is fair and reasonable to the corporation at the time the transaction is entered into.

This section does not apply to a transaction that is part of an educational or charitable program of this corporation if it (a) is approved or authorized by the corporation in good faith and without unjustified favoritism and (b) 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 educational or charitable program of this corporation.

9. 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 the corporation may advance money to a Director or officer of the corporation for expenses reasonably anticipated to be incurred in the performance of his or her duties of that Director or officer would be entitled to reimbursement for such expenses by the corporation.

10. INDEMNIFICATION

To the fullest extent permitted by law, this corporation shall indemnify its Directors, officers, employees and other persons described in Corporation Code section 5238(a), including persons formerly occupying any such positions, 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 any action by or in the right of the corporation, by reason of the fact that person is or was a person described in that section. "Expense," as used in this bylaw, shall have the same meaning as in that section of the Corporations Code.

On written request to the Board by any person seeking indemnification under Corporations Code section 5238(b), or section 5238(c), the Board shall promptly decide under Corporations Code section 5238(e) whether the applicable standard of conduct set forth in Corporations Code section 5238(b) or section 5238(c) has been met and, if so, the Board shall authorize indemnification.

To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under Section 10 of these bylaws in defending any proceeding covered by those sections shall be advanced by the corporation before final disposition of the proceeding, upon receipt by the corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately found that the person is entitled to be indemnified by the corporation for those expenses.

11. INSURANCE

This corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, Directors, employees, and other agents, to cover any liability asserted against or incurred by an officer, Director, employee, or agent in such capacity or arising from the officer's, Director's, employee's, or agent's status as such.

12. MAINTENANCE OF CORPORATE RECORDS

This corporation shall keep: (a) adequate and correct books and records of account; and (b) written minutes of the proceedings of its Board and committees of the Board.

13. INSPECTION RIGHTS

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

14. REQUIRED REPORTS

14.1 ANNUAL REPORT: An annual report shall be sent to the Directors within one hundred twenty (120) days after the end of the corporation's fiscal year. The report shall contain the following information, in appropriate detail:

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

14.1.2 The principal changes in assets and liabilities, including trust funds;

14.1.3 The corporation's revenue or receipts, both unrestricted and restricted to particular purposes;

14.1.4 The corporation's expenses or disbursements for both general and restricted purposes; and

14.1.5 An independent accountant's report or, if none, the certificate of any authorized officer of the corporation that such statements were prepared without audit from the corporation's books and records.

This requirement of an annual report shall not apply if the corporation receives less than Twenty-Five Thousand Dollars (\$25,000.00) in gross receipts during the fiscal year, provided, however, that the information specified above for inclusion in an annual report must be furnished annually to all Directors and to any member who requests it in writing.

15. BYLAWS AMENDMENTS

15.1 AMENDMENT BY BOARD: Subject to the limitations set forth below, the Board may adopt, amend, or repeal bylaws by a two-thirds (2/3) majority. The Board may not extend a director's term beyond that for which the director was elected.

15.2 GREATER VOTE REQUIREMENT: If any provision of these bylaws requires the vote of a larger proportion of the Board than is otherwise required by law, that provision may not be altered, amended or repealed except by that greater vote.

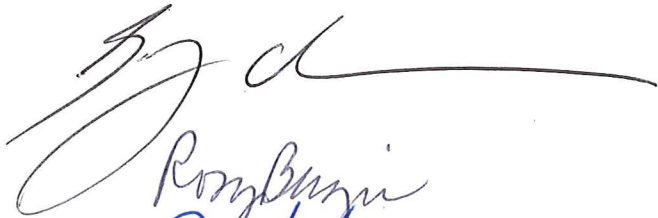
The signed original is on file at the Morgan Hill Downtown Association corporate office.

Adopted by resolution of the Corporation's Board of Directors on this 12th day of November, 2015.

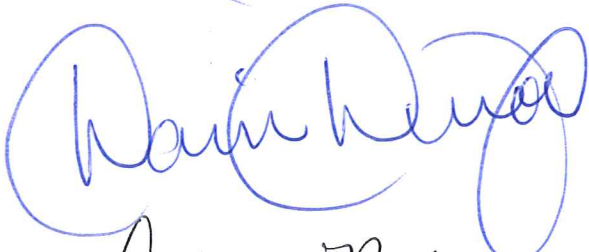
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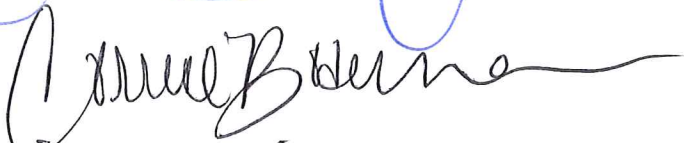
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