

Item 19

Action Item

Consideration of consent to amendments to EdFund bylaws

SUMMARY:

EdFund is the non-profit auxiliary organization of the California Student Aid Commission (Commission) originally organized to administer the Commission's responsibilities as a guarantor of federal student loans for California. On February 20 and 21, 2014, the Commission and the EdFund Board, respectively, voted to dissolve EdFund, and administrative steps were begun to dissolve the corporation after the federal government ended the Commission's guarantor status. However, EdFund recently received a payment of \$103,000, and has learned that other potential payments may exist. Therefore, dissolution has temporarily been suspended pending recovery of potential payments and a determination of the appropriate use of the new funds.

In the meantime, EdFund no longer has employees and is no longer carrying out any guarantor services.

The EdFund Board will be considering amendments to the EdFund bylaws to conform the EdFund Board officers to the Commission officers. The amendments would also change the requirement for quarterly Board meetings to an annual meeting.

The EdFund bylaws require the Commission to consent to amendments of the bylaws, and allow the consent to occur before or after the EdFund Board adopts the amendments. The EdFund Board is scheduled to meet to consider the amendments upon adjournment of this Commission meeting.

RECOMMENDATION:

Consent to the proposed amendments to the EdFund bylaws.

BRIEF HISTORY OF KEY ISSUE(S):

The Commission created EdFund as its non-profit, 501(c)(3), auxiliary organization in 1997, under authority granted by Education Code sections 69522-69529.5. At the time, the Commission was designated by the federal government as a guarantor of federal student loans through the Federal Family Education Loan Program (FFELP). EdFund administered the Commission's responsibilities as a guarantor and received fees in the hundreds of millions of dollars annually.

In some years, the State of California ultimately used some of those fees to fund Cal Grants. The Commission also used about \$25 million of the fees to underwrite a three-year outreach campaign. In addition, EdFund provided administrative support and services to the Commission, thereby saving State General Fund dollars.

California Student Aid Commission

However, in 2010, the federal government began emphasizing its direct lending student loan program, ended its FFELP relationship with the Commission, and designated ECMC to be the FFELP guarantor in place of the Commission. The transition from the Commission to ECMC took several years, resulting in all the non-State EdFund employees moving to ECMC, and State employees working at EdFund returning to the Commission.

As part of the transition, the EdFund bylaws were amended to prescribe that all Commissioners, and only Commissioners, were the members of the EdFund Board of Directors.

Ultimately, on February 20, 2014, the Commission directed the EdFund Board to dissolve the EdFund corporation, and on February 21, 2014, the EdFund Board voted to dissolve. Regulatory and administrative steps were taken toward dissolution.

However, about May 2016, EdFund received a \$103,000 payment related to EdFund insurance. This payment had not been anticipated. Further, potential funds belonging to EdFund from California and other state unclaimed property programs were identified.

Therefore, until the potential funds are recovered and the Commission and EdFund Board determine the appropriate use of the new funds, the dissolution process has been temporarily suspended.

This temporary suspension requires some amendments to the EdFund bylaws, since, with the temporary delay in dissolution, changes among the Commission membership have left EdFund without a Chair, Vice Chair and Treasurer.

The EdFund bylaws provide in Article IX, Miscellaneous:

Section 4. Amendments. A majority vote of the directors then in office shall be required to adopt a bylaw amendment. No amendment to these Bylaws shall be valid or become effective without the consent of the Designator, which consent may be given either prior to or subsequent to the adoption by the directors, provided that such consent must be given within sixty (60) days of the date of the adoption by the directors.

Accordingly, the Commission may consider and consent to the proposed amendments before the EdFund Board acts.

ANALYSIS:

Staff has determined that some immediate changes to the bylaws are advised, but that we will need more time to determine whether and what additional changes will be required.

The EdFund bylaws in their entirety are included as Attachment 19.1. The first of two sets of amendments to the bylaws involves the officers of EdFund and the election of officers. The amendments would do the following:

- 1) Deem the officers of the Commission to be the officers of the EdFund Board, except that the Vice Chair of the Commission will be the Treasurer of the EdFund Board.

California Student Aid Commission

The purpose of this amendment is to conform the EdFund Board and Commission leadership. Only Commissioners are EdFund Board members, and there is no reason to have separate leaderships. Further, the amendment will alleviate the need for the EdFund Board to meet just to elect officers.

Further, the Corporations Code prohibits a board chair from acting as the secretary or treasurer. Thus, a vice chair of EdFund, who could assume the authority of the chair, cannot also serve as the treasurer. Since the Commission does not have a Treasurer, and EdFund does not require a vice chair, it is reasonable to deem the Commission's Vice Chair to be the EdFund Treasurer. This would alleviate the need for the EdFund Board to meet just to elect a Treasurer.

2) Eliminate the EdFund office of the Vice Chair.

As stated, since the Commission does not have a Treasurer, and EdFund does not require a vice chair, it is reasonable to eliminate the office of the Vice Chair of EdFund, and to deem the Commission's Vice Chair to be the EdFund Treasurer.

The specific changes to the relevant sections of the bylaws are indicated below, with deleted words being struck out and new words underlined. All changes are highlighted in yellow.

ARTICLE VI OFFICERS

Section 1. Officers. The officers of this corporation shall be a Chair, a Secretary, and a Treasurer. This corporation may also have, at the discretion of the directors, 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 the Chair of the Board. The officers shall be elected from among the directors of this corporation.

Section 2. Election. The officers of the Designator, California Student Aid Commission, shall be the officers of this corporation, with the exception that the Vice Chair of the Designator shall serve as the Treasurer of this corporation. Officers of this corporation shall be deemed to have been elected annually by the Board of Directors as of the Designator's annual election of officers, and each shall serve at the pleasure of the Board.

* * *

The second set of amendments would change the frequency of EdFund Board meetings from quarterly to once a year. Since the temporary suspension of the dissolution process is expected to last only as long as it takes to recover payments and determine the appropriate use of the new funds, an annual meeting should be sufficient. The EdFund bylaws allow the chair, the vice chair, or any two directors to call additional meetings as necessary.

The specific change to the relevant section of the bylaws is indicated below, with deleted words being struck out and new words underlined. All changes are highlighted in yellow.

California Student Aid Commission

ARTICLE IV BOARD OF DIRECTORS

Section 7. Frequency and Calling of Meetings. Meetings of the Board of Directors shall be held at least annually. The annual meeting and any additional meetings shall be called by the Chair, the Vice Chair, or any two directors and noticed in accordance with Section 8.

Section 8. Notice. Notice of the annual meeting and any additional meetings of the Board of Directors shall be given at least ten days before any such meeting to each director by written notice delivered personally, or sent by mail or facsimile, and shall state the date, place, and time of the meeting. If mailed, such notice shall be deemed to be delivered the next day during which regular mail deliveries are made after the day such notice is deposited with the United States Postal Service. If notice is given by facsimile, such notice shall be deemed delivered when the facsimile is transmitted. In addition, the public notice requirements of Section 11125 of the California Government Code must be met. Special meetings may only be held pursuant to California Government Code Section 11125.4. Emergency meetings may only be held pursuant to California Government Code Section 11125.5. Closed sessions may only be held pursuant to Government Code Section 11126.

Further changes may be necessary the longer EdFund continues in existence. If so, we will bring any additional changes to future Commission and EdFund Board meetings.

RESPONSIBLE PERSON(S):

Keith Yamanaka
Chief Deputy Director
California Student Aid Commission

ATTACHMENT(S):

Attachment 19.1: Bylaws of EdFund, Amended and Restated as of March 23, 2011

BYLAWS

of

EDFUND

**Amended and Restated
as of March 23, 2011**

TABLE OF CONTENTS

	Page
ARTICLE I – PRINCIPAL OFFICE	
ARTICLE II – MEMBERSHIP	
ARTICLE III – DESIGNATOR	
Section 1. Naming of Designator	
Section 2. Actions of Designator	
ARTICLE IV – BOARD OF DIRECTORS	
Section 1. Powers	
Section 2. Number and Qualification of Directors	
Section 3. Limitations on Interested Persons	
Section 4. Designation and Term of Office of Directors	
Section 5. Vacancies	
Section 6. Resignation and Removal	
Section 7. Frequency and Calling of Meetings	
Section 8. Notice	
Section 9. Waiver of Notice.....	
Section 10. Open Meetings.....	
Section 11. Quorum	
Section 12. Standard of Care	
A. General	
B. Investments	
Section 13. Inspection	
Section 14. Compensation	
ARTICLE V – COMMITTEES	
Section 1. Board Committees	
Section 2. Advisory Committees	
Section 3. Meetings	
A. Of Board Committees	
B. Of Advisory Committees	
ARTICLE VI – OFFICERS	
Section 1. Officers	
Section 2. Election	
Section 3. Removal	
Section 4. Resignation	
Section 5. Vacancies	
Section 6. Chair	
Section 7. Vice Chair	
Section 8. Secretary	
Section 9. Treasurer	
ARTICLE VII – PROHIBITED TRANSACTIONS	
Section 1. Loans	
Section 2. Outright Prohibited Transactions	
Section 3. Transactions Requiring Approval	

ARTICLE VIII – INDEMNIFICATION AND INSURANCE
 Section 1. Right of Indemnity
 Section 2. Approval of Indemnity
 Section 3. Advancing Expenses
 Section 4. Insurance

ARTICLE IX – MISCELLANEOUS
 Section 1. Fiscal Year
 Section 2. Contracts, Notes, and Checks
 Section 3. Annual Reports to Directors
 Section 4. Amendments
 Section 5. Governing Law

**BYLAWS
of
EDFUND**

**ARTICLE I
PRINCIPAL OFFICE**

The principal office of this corporation shall be located in the County of Sacramento, California.

**ARTICLE II
MEMBERSHIP**

This corporation shall have no voting members.

**ARTICLE III
DESIGNATOR**

Section 1. Naming of Designator. The Designator referred to in these Bylaws shall be the California Student Aid Commission, a governmental unit of the State of California existing pursuant to Sections 69510 *et seq.* of the California Education Code (the “Commission”).

Section 2. Actions of Designator. All actions of the Designator shall be evidenced by a writing, signed on behalf of the Designator by the Designator’s Executive Director, Chair or any other officer authorized by the Designator, delivered to an officer of this corporation, and filed by the Secretary with the proceedings of the Board of Directors of this corporation.

**ARTICLE IV
BOARD OF DIRECTORS**

Section 1. Powers. This corporation shall have powers to the full extent allowed by law. All powers and activities of this corporation shall be exercised and managed by the Board of Directors of this corporation directly or, if delegated, under the ultimate direction of the Board.

Section 2. Number and Qualification of Directors. The number of directors shall be fifteen. At all times, the members of the Commission shall be directors of this corporation. At all times, at least one director shall be an employee of this corporation (the “Employee Director”), and at least one director

shall be a student enrolled in a California public or private postsecondary educational institution (the “Student Director”).

Section. 3. Limitations on Interested Persons. At all times, not more than 49% of the directors of this corporation may be interested persons. An interested person means either:

- (a) any person currently being compensated by this corporation for services rendered to it within the previous twelve months, whether as a full-time or part-time employee, independent contractor, or otherwise; or
- (b) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person.

Section 4. Designation and Term of Office of Directors. The directors of this corporation shall be the members of the Commission. The Employee Director and the Student Director shall be designated by the Designator from time to time for any term prescribed in the written designation. The effective date of any such designation shall be as provided therein. Directors are designated for the same term as their term as Commissioner.

Section 5. Vacancies. A vacancy shall be deemed to exist on the Board in the event that the actual number of directors is less than the authorized number for any reason. Vacancies may be filled by the Designator, and only by the Designator, for the unexpired portion of the term.

Section 6. Resignation and Removal. Resignations shall be effective upon receipt in writing by the Chair, the Vice Chair, or the Secretary of this corporation, unless a later effective date is specified in the resignation. The Board of Directors or the Designator may remove any director at any time, with or without cause, provided that any removal by the Board shall require the consent of the Designator.

Section 7. Frequency and Calling of Meetings. Meetings of the Board of Directors shall be held at least quarterly. The quarterly meetings and any additional meetings shall be called by the Chair, the Vice Chair, or any two directors and noticed in accordance with Section 8.

Section 8. Notice. Notice of the quarterly meetings and any additional meetings of the Board of Directors shall be given at least ten days before any such meeting to each director by written notice delivered personally, or

sent by mail or facsimile, and shall state the date, place, and time of the meeting. If mailed, such notice shall be deemed to be delivered the next day during which regular mail deliveries are made after the day such notice is deposited with the United States Postal Service. If notice is given by facsimile, such notice shall be deemed delivered when the facsimile is transmitted. In addition, the public notice requirements of Section 11125 of the California Government Code must be met. Special meetings may only be held pursuant to California Government Code Section 11125.4. Emergency meetings may only be held pursuant to California Government Code Section 11125.5. Closed sessions may only be held pursuant to Government Code Section 11126.

Section 9. Waiver of Notice. Notice of a meeting shall be deemed given to any director who attends the meeting without protesting the lack of adequate notice before the meeting or at its commencement.

Section 10. Open Meetings. The Board of Directors shall conduct its business in public meetings in accordance with the Bagley-Keene Open Meeting Act under Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of the Government Code.

Section 11. Quorum. A majority of the total number of directors then in office shall constitute a quorum, provided that in no event shall the required quorum be less than one-fifth of the authorized number of directors or two directors, whichever is larger. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, except as otherwise provided in Article V, Section 1 (appointment of Board Committees); Article VII, Section 3 (transactions with interested directors); Article VIII, Section 2 (approval of indemnification); and Article IX, Section 4 (bylaw amendments), of these Bylaws or in the California Nonprofit Public Benefit Corporation Law. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 12. Standard of Care.

A. General. A director shall perform the duties of a director, including duties as a member of any Board Committee on which the director may serve, in good faith, in a manner such director believes to be in the best interest of this corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like situation would use under similar circumstances.

In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

- (i) one or more officers or employees of the corporation whom the director believes to be reliable and competent as to the matters presented;
- (ii) counsel, independent accountants, or other persons as to matters which the director believes to be within such person's professional or expert competence; or
- (iii) a Board Committee upon which the director does not serve, as to matters within its designated authority, provided that the director believes such Committee merits confidence;

so long as in any such case, the director acts in good faith after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

Except as provided in Article VII below, a person who performs the duties of a director in accordance with this Section shall have no liability based upon any failure or alleged failure to discharge that person's obligations as a director, including, without limiting the generality of the foregoing, any actions or omissions which exceed or defeat a public or charitable purpose to which a corporation, or assets held by it, are dedicated.

B. Investments. Except with respect to assets held for use or used directly in carrying out this corporation's charitable activities, in investing, reinvesting, purchasing or acquiring, exchanging, selling, and managing this corporation's investments, the Board shall avoid speculation, looking instead to the permanent disposition of the funds, considering the probable income as well as the probable safety of this corporation's capital. No investment violates this section where it conforms to provisions authorizing such investment contained in an instrument or agreement pursuant to which the assets were contributed to this corporation.

Section 13. Inspection. Every director shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents, and to inspect the physical properties of this corporation.

Section 14. Compensation. The directors of this corporation, except for any ex officio directors, shall receive a stipend of one hundred dollars

(\$100) for each day in which he or she attends any meeting of the Board or any meeting of any Committee or Subcommittee of the Board, of which Committee or Subcommittee he or she is a member, and which Committee or Subcommittee meeting is conducted for the purpose of carrying out the powers and duties of the Board. The Employee Director shall not receive a stipend pursuant to this section unless the meeting is on a day other than a regularly scheduled workday for which the Employee Director is normally compensated. Any director may, in lieu of receiving a stipend, decline such payment or direct in advance that the stipend be donated to a charitable organization. In addition, the Board of Directors may authorize the advance or reimbursement to a director of actual and reasonable expenses incurred by the director while acting as a director, such as expenses incurred in attending a meeting of the Board. No person attending a meeting and receiving a stipend or expenses pursuant to this section shall be entitled to receive a stipend or expenses pursuant to Education Code section 69511(f) for the same meeting.

**ARTICLE V
COMMITTEES**

Section 1. Board Committees. The Board of Directors may, by resolution adopted by a majority of the directors then in office, create any number of Board Committees, each consisting of two or more directors, and only of directors, to serve at the pleasure of the Board. Appointments to any Board Committee shall be made by the Chair, subject to ratification by majority vote of the directors then in office at a subsequent meeting. Board Committees may be given all the authority of the Board, except for the powers to:

- (a) set the number of directors within a range specified in these Bylaws;
- (b) fill vacancies on any Board committee;
- (c) remove any director without cause;
- (d) fix compensation of directors for serving on the Board or any Board Committee;
- (e) amend or repeal these Bylaws or adopt new Bylaws;
- (f) adopt amendments to the Articles of Incorporation of this corporation;

- (g) amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable;
- (h) create any other Board Committees or appoint the members of any Board Committees; or
- (i) approve any merger, reorganization, voluntary dissolution, or disposition of substantially all of the assets of this corporation.

Section 2. Advisory Committees. The Board of Directors may establish one or more Advisory Committees to the Board. The members of any Advisory Committee may consist of directors or non-directors and may be appointed as the Board determines. Advisory Committees may not exercise the authority of the Board to make decisions on behalf of this corporation, but shall be restricted to making recommendations to the Board or Board Committees, and implementing Board or Board Committee decisions and policies under the supervision and control of the Board or Board Committee.

Section 3. Meetings.

A. Of Board Committees. Meetings and actions of Board Committees shall be governed by and held and taken in accordance with the provisions of Article IV of these Bylaws concerning meetings and actions of the Board of Directors, Which such changes in the content of those Bylaws as are necessary to substitute the Board Committee and its members for the Board of Directors and its members. Minutes shall be kept of each meeting of any Board Committee and shall be filed with the corporate records.

B. Of Advisory Committees. Advisory Committees shall determine their own meeting rules and whether minutes shall be kept; provided that meetings of Advisory Committees with three or more members shall be held and recorded in accordance with the provisions of the Bagley-Keene Open Meeting Act applicable to Advisory Committee meetings.

The Board of Directors may adopt rules for the governance of any Board or Advisory Committee not inconsistent with the provisions of these Bylaws.

**ARTICLE VI
OFFICERS**

Section 1. Officers. The officers of this corporation shall be a Chair, a Vice Chair, a Secretary, and a Treasurer. This corporation may also have,

at the discretion of the directors, 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 the Chair or Vice Chair of the Board. The officers shall be elected from among the directors of this corporation.

Section 2. Election. The officers of this corporation shall be elected annually by the Board of Directors, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

Section 3. Removal. Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, with or without cause, by the Board of Directors or by an officer on whom such power of removal may be conferred by the Board of Directors.

Section 4. Resignation. Any officer may resign at any time by giving written notice to this corporation. Any resignation shall take effect on receipt of that notice by the Secretary or at any later time specified by that notice, and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of this corporation under any contract to which the officer is a party.

Section 5. Vacancies. A vacancy in any office for any reason shall be filled in the same manner as these Bylaws provide for election to that office.

Section 6. Chair. The Chair shall preside at all meetings of the Board of Directors, and shall have such other powers and duties as may be prescribed by the Board or these Bylaws. The Chair shall also serve as the President of this corporation, acting as its general manager and chief executive officer, including the authority to execute documents as may be necessary, on the corporations' behalf.

Section 7. Vice Chair. The Vice Chair shall, in the absence of the Chair, carry out the duties of the Chair and shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

Section 8. Secretary. The Secretary shall supervise the keeping of a full and complete record of the proceedings of the directors, shall supervise the giving of such notices as may be proper or necessary, shall supervise the

keeping of the minute books of this corporation, and shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

Section 9. Treasurer. The Treasurer shall supervise the charge and custody of all funds of this corporation, the deposit of such funds in the manner prescribed by the Board of Directors, and the keeping and maintaining of adequate and correct accounts of this corporation's properties and business transactions, shall render reports and accountings as required, and shall have such other powers and duties as may be prescribed by the Board or these Bylaws. The Treasurer shall also serve as the Chief Financial Officer of this corporation with the authority to execute documents, as may be necessary, on the corporations' behalf.

ARTICLE VII PROHIBITED TRANSACTIONS

Section 1. Loans. Except as permitted by Section 5236 of the California Nonprofit Public Benefit Corporation Law, this corporation shall not make any loan of money or property to, or guarantee the obligation of, any director or officer; provided, however, that this corporation may advance money to a director or officer of this corporation or any subsidiary for expenses reasonably anticipated to be incurred in performance of the duties of such officer or director so long as such individual would be entitled to be reimbursed for such expenses absent that advance. As long as this corporation is an auxiliary of the Commission, it shall be subject to the additional restrictions on transactions between directors and the corporation set forth in California Education Code Section 69525(c)-(e).

Section 2. Outright Prohibited Transactions. As long as this corporation is an auxiliary of the Commission, pursuant to Section 69525(e) of the California Education Code this corporation shall not enter into a contract or other transaction if any of the following circumstances exist:

A. The contract or transaction is between this corporation and a director, provided that the corporation may compensate the Employee Director for his or her services as an employee;

B. The contract or transaction is between this corporation and a partnership or unincorporated association of which a director is a partner or in which a director is the owner, directly or indirectly, of a proprietary interest;

C. The contract or transaction is between this corporation and a corporation in which any director is the owner or holder, directly or indirectly, of five percent or more of the outstanding common stock; or

D. A director is financially interested in a contract or transaction and, without first disclosing that interest to the Board of Directors at a public meeting of the Board, influences or attempts to influence another director or other directors to cause this corporation to enter into the contract or transaction.

Section 3. Transactions Requiring Approval. The Board of Directors shall not approve or permit this corporation to enter into any contract or engage in any other transaction in which a director is financially interested, unless the contract or transaction is (i) not described in Section 2 of this Article; and (ii) all of the following circumstances exist:

A. The material facts concerning the transaction and the director's financial interest are disclosed or known to the Board of Directors and noted in the minutes;

B. After reasonable investigation, the Board of Directors determines in good faith that it could not have obtained a more advantageous arrangement with reasonable effort under the circumstances;

C. The Board thereafter authorizes, approves, or ratifies the contract or transaction in good faith by the vote of the majority of directors then in office without counting the vote or votes of the financially interested director or directors; and

D. The contract or transaction is, in fact, just and reasonable as to this corporation at the time it is authorized or approved.

ARTICLE VIII INDEMNIFICATION AND INSURANCE

Section 1. Right of Indemnity. To the fullest extent allowed by Section 5238 of the California Nonprofit Public Benefit Corporation Law, this corporation may indemnify and advance expenses to its agents, in connection with any proceeding, and in accordance with Section 5238. For purposes of this Article, "agent" shall have the same meaning as in Section 5238(a), including directors, officers, employees, other agents, and persons formerly occupying such positions; "proceeding" shall have the same meaning as in Section 5238(a), including any threatened action or investigation under Section 5233 or brought by

the Attorney General; and “expenses” shall have the same meaning as in Section 5238(a), including reasonable attorneys’ fees.

Section 2. Approval of Indemnity. On written request to the Board of Directors in each specific case by any agent seeking indemnification, to the extent that the agent has been successful on the merits, the Board shall promptly authorize indemnification in accordance with Section 5238(d). Otherwise, the Board shall promptly determine, by a majority vote of a quorum consisting of directors who are not parties to the proceeding, whether, in the specific case, the agent has met the applicable standard of conduct stated in Section 5238(b) or Section 5238(c), and, if so, may authorize indemnification to the extent permitted thereby.

Section 3. Advancing Expenses. The Board of Directors may authorize the advance of expenses incurred by or on behalf of an agent of this corporation in defending any proceeding prior to final disposition, if the Board finds that:

- (a) the requested advances are reasonable in amount under the circumstances; and
- (b) before any advance is made, the agent will submit a written undertaking satisfactory to the Board to repay the advance unless it is ultimately determined that the agent is entitled to indemnification for the expenses under this Article.

The Board shall determine whether the undertaking must be secured, and whether interest shall accrue on the obligation created thereby.

Section 4. Insurance. The Board of Directors may adopt a resolution authorizing the purchase of insurance on behalf of any agent against any liability asserted against or incurred by the agent in such capacity or arising out of the agent’s status as such, and such insurance may provide for coverage against liabilities beyond this corporation’s power to indemnify the agent under law.

ARTICLE IX MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of this corporation shall end each year on the last day of September.

Section 2. Contracts, Notes, and Checks. All contracts entered into on behalf of this corporation must be authorized by the Board of Directors or

by individuals authorized and empowered to do so generally or specifically by the Board. Except as otherwise provided by law, every check, draft, promissory note, money order, or other evidence of indebtedness of this corporation shall be signed by individuals authorized to do so generally or specifically by the Board.

Section 3. Annual Reports to Directors. Within 120 days after the end of this corporation's fiscal year, the Chair shall furnish a written report to all directors of this corporation containing the following information:

- (a) the assets and liabilities, including the trust funds of this corporation, as of the end of the fiscal year;
- (b) the principal changes in assets and liabilities, including trust funds, during the fiscal year;
- (c) the revenue or receipts of this corporation, both unrestricted and restricted for particular purposes, for the fiscal year;
- (d) the expenses or disbursements of this corporation, for both general and restricted purposes, for the fiscal year;
- (e) any transaction during the previous fiscal year involving Fifty Thousand Dollars (\$50,000.00) or more between this corporation and any of its directors or officers, and the amount and circumstances of any indemnifications or advances aggregating more than Ten Thousand Dollars (\$10,000.00) paid during the fiscal year to any director or officer of this corporation. The report must disclose the names of the interested persons involved in such transaction, stating such person's relationship to this corporation, the nature of such person's interest in the transaction and, where practicable, the value of such interest.

The foregoing report shall be accompanied by any report thereon of independent accountants or, if there is no such report, the certificate of an authorized officer of this corporation that such statements were prepared without an audit from the books and records of this corporation. Nothing in this section shall be deemed to permit this corporation to enter into a transaction with a director otherwise prohibited pursuant to any provision of the California Education or Corporations Codes.

Section 4. Amendments. A majority vote of the directors then in office shall be required to adopt a bylaw amendment. No amendment to these

Bylaws shall be valid or become effective without the consent of the Designator, which consent may be given either prior to or subsequent to the adoption by the directors, provided that such consent must be given within sixty (60) days of the date of the adoption by the directors.

Section 5. Governing Law. In all matters not specified in these Bylaws, or in the event these Bylaws shall not comply with applicable law, the California Nonprofit Public Benefit Corporation Law as then in effect shall apply, except that if there is a conflict between the California Nonprofit Public Benefit Corporation Law and Article 2.5, Chapter 2, commencing with Section 69522, of Part 42, of the California Education Code, Article 2.5 shall prevail.

CERTIFICATE OF SECRETARY

I, Lynne de Bie, certify that I am presently the duly elected and acting Secretary of EDFUND, a California nonprofit public benefit corporation, and the above Bylaws, consisting of twelve (12) pages, are the amended and restated Bylaws of this corporation as adopted by the Board of Directors on March 24, 2011.

Dated: 4/14/2011

Lynne de Bie
Lynne de Bie