

Note: The following text is a pristine version of the Bylaws of The Heinlein Society, last revised at the December 12, 2011 Board of Directors Meeting.

BYLAWS OF *THE HEINLEIN SOCIETY*,

A non-profit corporation, incorporated under the laws of the State of Texas, organized as an educational and literary charity, but also engaged in its charitable purposes by virtue of significant contacts in the State of California, and elsewhere in both hemispheres.

Article I: Meetings

Section 1. Place of meeting. Any or all meetings of the members, and of the board of directors, of this Society may be held within or outside the State of Texas; *provided* that no meeting shall be held at a place other than the office of Arthur Dula, attorney at law, in Houston, Texas, except pursuant to a bylaw or resolution adopted by the board of directors. As used herein, the term resolution shall include any motion properly made and passed.

Section 2. Place of business meetings of the board of directors. Any or all meetings of the board of directors of this Society may be held via chat or conferencing software on the Internet, as the board of directors shall, from time to time, determine.

Section 3. Annual meeting of members. An annual meeting of the members shall be held in each year on a date selected on or between the Thursday before the first Monday in September [Labor Day in the United States of America] and on or between the Sunday before the first Monday in September, at ten o'clock a.m., or such other hour as may be chosen, one of the purposes of which shall be the election to fill vacancies of such members of the board of directors whose terms have or may be about to expire as may be provided hereinafter.

Section 4. Place of annual meeting of members. The annual meeting of the members shall be held at or closely proximate to the site of the annual World Science Fiction Convention, at a place to be determined by the board of directors. In years when the annual World Science Fiction Convention is not held within the continent of North America, the board of directors may determine to hold the annual meeting of members at a place within North America which it shall determine.

Section 5. Notice of annual meeting of members. At least three days prior to the date fixed by section 4 of this article for the holding of the annual meeting of members, written notice of the time and place of the meeting shall be mailed, as provided, to each member entitled to vote at the meeting. As used in these bylaws, days means calendar days, including Sundays and holidays. As used in these bylaws written notice may include forms of electronic communication such as e-mail.

Section 6. Delayed annual meeting. If, for any reason, the annual meeting of the members is not held on the day designated, the meeting may be called and held as a special meeting, and the proceedings may be there as at an annual meeting, provided that the notice of meeting shall be the same required for the annual meeting, namely, not less than a three day notice.

Section 7. Order of business at annual meeting. The order of business at the annual meeting of the members shall be as follows:

- (a). Roll call.
- (b). Reading notice and proof of mailing.
- (c). Reading of minutes of last preceding annual meeting.
- (d). Report of president.
- (e). Report of vice president-secretary.
- (f). Report of treasurer.
- (g). Election of directors.
- (h). Transaction of other business mentioned in the notice.
- (i). Good of the Society.
- (j). Adjournment *provided* that, in the absence of any objection, or by majority vote of those eligible to vote present, the presiding officer may vary the order of business at his or her discretion. As used in these bylaws, the term “president” refers to the president and chairman of the board of directors.

Section 8. Special meetings of members. A special meeting of the members may be called at any time by the president, or by a majority of the board of directors. The method by which the meeting may be called is as follows: Upon receipt of a specification in writing setting forth the date and objects of the proposed special meetings, signed by the president, or by a majority of the board of directors, the vice president-secretary or an assistant secretary shall prepare, sign and mail the notices requisite to the meeting. Special meetings, at the sole discretion of the president, may be held via chat or conferencing software on the Internet. Notice may be signed by the stamped, typewritten or printed signature of the vice president-secretary or of an assistant secretary.

Section 9. Notice of special meeting of members. At least seven days prior to the date fixed for the holding of any special meeting of members, written notice of the time, place and purposes of the meeting shall be mailed, as provided, to each member entitled to vote at the meeting. No business not mentioned in the notice shall be transacted at the meeting.

Section 10. Organization meeting of board. At the place of the annual meeting of members and immediately following the meeting, the board of directors as constituted upon final adjournment of the annual meeting shall convene for the purpose of electing officers and transacting any other business properly brought before it, provided, that the organization meeting in any year may be held at a different time and place than that provided, by consent of a majority of the directors of the new board.

Section 11. Regular meetings of board. Regular meetings of the board of directors shall be held not less frequently than once in each month at the time and place as the board of directors shall determine. No notice of regular meetings of the board shall be required.

Section 12. Special meetings of board. Special meetings of the board of directors may be called by the president at any time by means of written notice by mail or e-mail of the time, place and purpose to each director as the president in his or her discretion shall deem sufficient, but action taken at any meeting shall not be invalidated for want of notice if the notice is waived as provided.

Section 13. Notices and mailing. All notices required to be given by any provision of these bylaws shall state the authority pursuant to which they are issued (as, “by order of the president,” or “by order of the board of directors” as the case may be) and shall bear the written, stamped, typewritten or printed signature of the vice president-secretary or assistant secretary. Every notice shall be deemed served when it has been deposited in the United States mail, with postage fully prepaid, plainly addressed to the addressee at his, her or its last address appearing upon the membership record of this Society; or when sent via e-mail.

Section 14. Waiver of notice. Notice of the time, place and purpose of any meeting of the members or of the board of directors, may be waived by telegram, radiogram, cablegram or other writing, either before or after the meeting has been held, or, by attendance at the meeting and acquiescence without an express objection to the proceedings stated on the record of the meeting.

Article II: Quorum

Section 1. Quorum of members. Presence in person or by proxy of members representing a majority of the voting rights of this Society shall constitute a quorum at any meeting of the members. Failure of a quorum of the members to attend in person or by proxy the annual general meeting does not preclude the Society from conducting the regular order of business, including without limitation, election of directors. Failure of a non-attending member to designate a proxy shall constitute designation of the president as the holder of the proxy of the member not in attendance.

Section 2. Quorum of directors. A majority of directors shall be defined as a majority of those directors who have not notified the board they cannot attend meetings on a regular basis. Such a majority shall constitute a quorum.

Article III: Voting, Elections, And Proxies

Section 1. Who entitled to vote. Except as the articles, an amendment, or amendments otherwise provide, each regular member shall, at every meeting of the members, be entitled to one vote in person or by proxy upon each subject properly submitted to vote. A supporting member of the Society is not eligible to vote, but may attend any meeting, and subject to the rulings of the president, or other presiding officer, may express himself or herself.

Section 2. Proxies. No proxy shall be deemed operative unless and until signed by the member and filed with the vice president-secretary of the Society by postal mail. In the absence of a limitation to the contrary contained in the proxy, it shall extend to all meetings of the members and shall remain in force three years from its date, and no longer.

Section 3. Inspectors. Whenever any person entitled to vote at a meeting of the members requests the appointment of inspectors, a majority of the members present at that meeting and entitled to vote shall appoint not more than three inspectors, who need not be members. If the right of any person to vote at the meeting is challenged, the inspectors shall determine the right. The inspectors shall receive and count the votes either upon an election or for the decision of any question and shall determine the result. Their certificate of any vote shall be *prima facie* evidence.

Article IV: Board Of Directors

Section 1. Number and term of directors. The business, property, and affairs of this Society shall be managed by a board of directors composed of nine persons who shall be members of this Society. Each director shall hold office for the term for which he or she is elected and until a successor is elected and qualified.

Section 2. The Robert A. Heinlein memorial directorship. The board of directors may include a director who is designated the Robert A. Heinlein memorial director, who may serve under such terms as the board may provide. Virginia Heinlein is designated the Robert A. Heinlein memorial director and may serve as a permanent director of this Society for as long as she may elect, without the necessity of election. Nothing herein, however, precludes Virginia Heinlein from standing for election as she wishes.

Section 3. Classification of directors. At the first annual meeting of the members, the members of the board of directors shall be divided into three classes of two members each. The members of the first class shall hold office for a term of one year; the members of the second class shall hold office for a term of two years; the members of the third class shall hold office for a term of three years. At all subsequent annual elections a minimum of two directors shall be elected by the members for a term of three years to succeed the two or more directors whose term then expires; provided that nothing shall be construed to prevent the reelection of a director.

Section 4. Vacancies. Vacancies in the board of directors shall be filled by appointment made by the remaining directors to fill the unexpired term of the vacant chair. Each person elected to fill a vacancy shall remain a director until a successor has been elected by the members, who may make that election at the next appropriate annual meeting or at any special meeting called for that purpose.

Section 5. Action by unanimous written consent. If and when the directors severally or collectively consent in writing to any action to be taken by the Society, that action shall be as valid a corporate action as though it had been authorized at a meeting of the board of directors.

Section 6. Power to make bylaws. The board of directors shall have the power to make and alter any bylaw or bylaws, including the fixing and altering of the number of the directors, provided, that the board shall not make or alter any bylaw or bylaws fixing the qualifications, classifications or term of office of any member or members of the then existing board.

Section 7. Power to elect officers. The board of directors shall select a president, a vice president-secretary, and a treasurer; and may select such other officers as it may, from time to time, amend these by-laws to permit. All officers of the Society must be regular members in good standing; provided, however, the board may appoint a supporting member of the Society an officer other than a board member or president, vice president-secretary, or treasurer under such terms as it may hereafter prescribe.

Section 8. Power to appoint other officers and agents. The board of directors shall have the power to appoint other officers and agents as the board may deem necessary for the transaction of the business of the Society.

Section 9. Removal of officers and agents. Any director, officer, or agent may be removed by the board of directors whenever in the judgment of the board the business interests of the Society will be served.

Section 10. Power to fill vacancies. The board shall have the power to fill any vacancy in any office occurring from any reason.

Section 11. Delegation of powers. For any reason deemed sufficient by the board of directors, whether occasioned by absence or otherwise, the board may delegate all or any of the powers and duties of any officer to any other officer or director, but no officer or director shall execute, acknowledge or verify any instrument in more than one capacity.

Section 12. Power to appoint executive committee. The president and the vice president-secretary shall have the power to appoint by resolution an executive committee composed of two or more directors who, to the extent provided in the resolution, shall have and exercise the authority of the board of directors in the management of the business of the Society between meetings of the board.

Section 13. Power to require bonds. The board of directors may require any officer or agent to file with the Society a satisfactory bond conditioned for faithful performance of duties.

Section 14. Compensation. The compensation, if any, of directors, officers and agents may be fixed by the board.

Article V: Officers

Section 1. President. The president shall be selected by, and from the membership of, the board of directors. He or she shall be the chief executive officer of the Society and shall preside as chairman over all meetings of the board and of the members. He or she shall have general and active management of the business of the Society and shall see that all orders and resolutions of the board are carried into effect. The president shall have custody of all corporate funds and securities and shall deposit all moneys, securities and other valuable effects in the name of the Society in the depositories designated for that purpose by the board of directors. He or she shall disburse the funds of the Society as may be ordered by the board, taking proper vouchers for the disbursements, and shall render to the treasurer, whenever requested by him or her, an account of all transactions, to include inventories of all assets. If required by the board he or she shall deliver to the vice president-secretary of the Society, and shall keep in force, a bond in form, amount and with a surety or securities satisfactory to the board, conditioned for faithful performance of the duties of the office, and for restoration to the Society in case of death, resignation, retirement or removal from office, of all books, papers, vouchers, money and property of whatever kind in the possession or control of the president and belonging to the Society. The president shall be *ex officio* a member of all standing committees and shall have the general powers and duties of supervision and management usually vested in the office of president of a Society.

Section 2. Vice president-secretary. The vice president-secretary shall attend all meetings of the members and of the board of directors, and of the executive committee, and shall preserve in the books of the Society true minutes of the proceedings of all meetings. He or she shall safely keep in his or her custody the seal of the Society and shall have authority to affix it to all instruments where its use is required. He or she shall give all notices required by statute, bylaw or resolution and shall perform any other duties as may be delegated by the board of directors or by the executive committee. The vice president-secretary may be designated by the president or by the board to act in the president's stead and to deposit or disburse funds of the Society as may

be ordered by the board, taking proper vouchers for the disbursements, and shall render to the treasurer, whenever requested by him or her, an account of all financial transactions performed by the secretary, to include inventories of all assets. If required by the board he or she shall deliver to the president of the Society, and shall keep in force, a bond in form, amount and with a surety or securities satisfactory to the board, conditioned for faithful performance of the duties of the office, and for restoration to the Society in case of death, resignation, retirement or removal from office, of all books, papers, vouchers, money and property of whatever kind in the possession or control of the vice president-secretary and belonging to the Society.

Section 3. Treasurer. The treasurer shall attend all meetings of the members, and of the board of directors, and of the executive committee. The treasurer shall prepare and maintain in good order in books belonging to the Society full and accurate reconciliations of all cash accounts and security accounts, and valued inventories of other valuable effects in the name of the Society; shall prepare balance sheets and statements of income and disbursement in accordance with generally accepted accounting procedures at least annually; and shall perform any other duties as may be delegated by the board of directors or by the executive committee. The treasurer shall render to the president and directors at the regular meetings of the board, and whenever requested by them, an account of all transactions and of the financial condition of the Society. In order to fulfill these duties of the office, the treasurer shall have free and unfettered access to all records, accounts, inventories, and valuable effects belonging to the Society. Such access may be granted by electronic means, where practicable. The treasurer may request, require, and authorize outside audit if he or she deems outside audit necessary in the best interests of the Society. If required by the board he or she shall deliver to the vice president-secretary of the Society, and shall keep in force, a bond in form, amount and with a surety or securities satisfactory to the board, conditioned for faithful performance of the duties of the office, and for restoration to the Society in case of death, resignation, retirement or removal from office, of all books, papers, vouchers, money and property of whatever kind in the possession or control of the treasurer and belonging to the Society.

Article VI: Execution Of Instruments

Section 1. Checks and drafts. All checks, drafts and orders for payment of money shall be signed in the name of the Society.

Section 2. Contracts, conveyances or other instruments. When the execution of any contract, conveyance, or other instrument has been authorized without specification of the executing officers, the president, or the vice president-secretary, may execute it on behalf of this Society and may affix the corporate seal. The board of directors shall have the power to designate any further officers and agents who shall have authority to execute any instrument in behalf of this Society.

Article VII: Power Of Board To Borrow Money

The board of directors shall have the full power and authority to borrow money whenever in the discretion of the board the exercise of that power is required in the general interests of this Society, and in that case the board of directors may authorize the proper officers of this Society to make, execute and deliver in the name and behalf of this Society any notes, bonds, and other

evidence of indebtedness as the board shall deem proper, and the board shall have the full power to mortgage the property of this Society, or any part as security for the indebtedness, and no action on the part of the membership of this Society shall be requisite to the validity of any note, bond, evidence of indebtedness or mortgage.

Article VIII: Membership And Dues

Section 1. Regular membership. Any person may be elected to membership in this Society by uniform application; provided, however, an application for membership may be declined upon a showing of cause, by a majority vote of the board of directors at any regular business meeting. Any decision to decline an application by the board of directors, if made, may be appealed to members present at any annual or special meeting. The dues of all regular members shall be a sum of \$35.00 payable annually on the first day of January of each year. Any regular member in default in payment of dues shall be suspended from all privileges of membership, and if, after notice, the default is not cured within a period of thirty days, the membership of that member shall automatically terminate. Any member may be removed from membership by a majority vote of the members present at any annual meeting or at any special meeting of the members called for the purpose, for conduct deemed prejudicial to this Society, provided, that the member shall have first been served with written notice of the accusations and shall have been given an opportunity to produce witnesses, if any, and to be heard, at the meeting at which the vote is taken.

Section 2. Supporting and other classes of membership. The board of directors, or the regular membership, may create supporting and other membership under such terms and conditions that it or they may prescribe; *provided*, however, if the dues of supporting members or any other class of membership is not equal to or in excess of that paid by regular members, the supporting or other classes of membership shall not be entitled to vote, or serve as a member of the board of directors, and may not serve as any other officer or agent of the board or the Society except under such terms as the bylaws may now or hereafter prescribe.

Article IX: Amendment Of Bylaws

Section 1. Amendments, how effected. These bylaws may be amended, altered, added to or repealed by the affirmative vote of a majority of the members entitled to vote at any regular or special meeting of the members if notice of the proposed amendment, alteration, addition or repeal is contained in the notice of the meeting, or by the affirmative vote of a majority of the board of directors if the amendment, alteration, addition or repeal is proposed at a regular or special meeting of the board and adopted at a subsequent regular meeting; provided, that any bylaws made by the affirmative vote of a majority of the board of directors as provided here may be amended, altered, added to, or repealed by the affirmative vote of a majority of the members entitled to vote at any regular or special meeting of the members; also provided, that no change of the date for the annual meeting of members shall be made within thirty days before the day on which the meeting is to be held, unless consented to in writing, or by a resolution adopted at a meeting, by all members entitled to vote at the annual meeting.

Article X: Non Profit Purposes

Section 1. IRC section 501(c)(3) purposes. This corporation is organized exclusively for charitable, religious, educational, and/or scientific purposes as specified in Section 501(c)(3) of the Internal Revenue Code, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code.

Section 2. Specific objectives and purposes. This corporation is a non-profit organization established with objectives to encourage formation of character and provoke critical and intelligent thinking among young individuals. For these purposes, we produce and distribute free educational CDs based on the works and ideas of Robert Anson Heinlein, a science fiction writer.

Article XI: IRC 501(c) (3) Tax Exemption Provisions

Section 1. Limitations on activities. No substantial part of the activities of this corporation shall be for propaganda, or otherwise attempting to influence legislation (except as otherwise provided by Section 501(h) of the Internal Revenue Code), and this corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on or behalf of, or in opposition to, any candidate for public office. Notwithstanding any other provisions of these bylaws, this corporation shall not carry on any activities not permitted to be carried on

- (a). By a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or
- (b). By a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code.

Section 2. Prohibition against private inurement. No part of the net earnings of corporation shall inure to the benefit of, or be distributable to, its directors, officers or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes of this corporation.

Section 3. Distribution of assets. Upon the dissolution of this corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code or shall be distributed to the federal government, or to a state or local government, for a public purpose. Such distribution shall be made in accordance with all applicable provisions of the laws of the State of Texas.

Section 4. Private foundation requirements and restrictions. In any taxable year in which the corporation becomes a private foundation as described in Section 509(a) of the Internal Revenue Code, the corporation

- (a). Shall distribute its income for said period at such time and manner as not to subject to tax under Section 4942 of the Internal Revenue Code;
- (b). Shall not engage in any act of self-dealing as defined in Section 4941(d) of the Internal Revenue Code;

- (c). Shall not retain any excess business holdings as defined in Section 4943(c) of the Internal Revenue Code;
- (d). Shall not make any investments in such manner as to subject the corporation to tax under Section 4944 of the Internal Revenue Code; and
- (e). Shall not make any taxable expenditure as defined in Section 4945(d) of the Internal Revenue Code.

Article XII: Conflict Of Interest Policy

Section 1. Purpose. The purpose of this conflict of interest policy is to protect this tax-exempt corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the corporation or any "disqualified person" as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations and which might result in a possible "excess benefit transaction" as defined in Section 4958(c)(1)(A) of the Internal Revenue Code and as amplified by Section 53.4958 of the IRS Regulations. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Section 2. Definitions.

- (a). Interested Person. Any director, principal officer, member of a committee with board of directors delegated powers, or any other person who is a "disqualified person" as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations, who has a direct or indirect financial interest, as defined below, is an interested person.
- (b). Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 - (1). An ownership or investment interest in any entity with which the corporation has a transaction or arrangement,
 - (2). A compensation arrangement with the corporation or with any entity or individual with which the corporation has a transaction or arrangement, or
 - (3). A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the corporation is negotiating a transaction or arrangement.
- (c). Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.
- (d). A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the appropriate board of directors or committee decides that a conflict of interest exists.

Section 3. Procedures.

- (a). Duty to disclose. In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to

disclose all material facts to the directors and members of committees with board of directors delegated powers considering the proposed transaction or arrangement.

- (b). Determining whether a conflict of interest exists. After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the board of directors or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.
- (c). Procedures for addressing the conflict of interest. An interested person may make a presentation at the board of directors or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

The chairperson of the board of directors or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement. After exercising due diligence, the board of directors or committee shall determine whether the corporation can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the board of directors or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the corporation's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

- (d). Violations of the conflicts of interest policy. If the board of directors or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

If, after hearing the member's response and after making further investigation as warranted by the circumstances, the board of directors or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Section 4. Records of proceedings. The minutes of meetings of the board of directors and all committees with board delegated powers shall contain:

- (a). The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the board of directors' or committee's decision as to whether a conflict of interest in fact existed.
- (b). The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Section 5. Compensation. A voting member of the board of directors who receives compensation, directly or indirectly, from the corporation for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the corporation for services is precluded from voting on matters pertaining to that member's compensation.

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

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

- (a). The terms of compensation shall be approved by the board of directors or compensation committee prior to the first payment of compensation.
- (b). All members of the board of directors or compensation committee who approve compensation arrangements must not have a conflict of interest with respect to the compensation arrangement as specified in IRS Regulation Section 53.4958-6(c)(iii), which generally requires that each board member or committee member approving a compensation arrangement between this organization and a "disqualified person" (as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations):
 - (1). Is not the person who is the subject of compensation arrangement, or a family member of such person;
 - (2). Is not in an employment relationship subject to the direction or control of the person who is the subject of compensation arrangement;
 - (3). Does not receive compensation or other payments subject to approval by the person who is the subject of compensation arrangement;
 - (4). Has no material financial interest affected by the compensation arrangement; and
 - (5). Does not approve a transaction providing economic benefits to the person who is the subject of the compensation arrangement, who in turn has approved or will approve a transaction providing benefits to the board or committee member.
- (c). The board of directors or compensation committee shall obtain and rely upon appropriate data as to comparability prior to approving the terms of compensation. Appropriate data may include the following:
 - (1). Compensation levels paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions. "Similarly situated" organizations are those of a similar size and purpose and with similar resources.

- (2). The availability of similar services in the geographic area of this organization.
- (3). Current compensation surveys compiled by independent firms.
- (4). Actual written offers from similar institutions competing for the services of the person who is the subject of the compensation arrangement.

As allowed by IRS Regulation 4958-6, if this organization has average annual gross receipts (including contributions) for its three prior tax years of less than \$1 million, the board of directors or compensation committee will have obtained and relied upon appropriate data as to comparability if it obtains and relies upon data on compensation paid by three comparable organizations in the same or similar communities for similar services.

- (d). The terms of compensation and the basis for approving them shall be recorded in written minutes of the meeting of the board of directors or compensation committee that approved the compensation. Such documentation shall include:
 - (1). The terms of the compensation arrangement and the date it was approved.
 - (2). The members of the board of directors or compensation committee who were present during debate on the transaction, those who voted on it, and the votes cast by each board or committee member.
 - (3). The comparability data obtained and relied upon and how the data was obtained.
 - (4). If the board of directors or compensation committee determines that reasonable compensation for a specific position in this organization or for providing services under any other compensation arrangement with this organization is higher or lower than the range of comparability data obtained, the board of directors or committee shall record in the minutes of the meeting the basis for its determination.
 - (5). If the board of directors or committee makes adjustments to comparability data due to geographic area or other specific conditions, these adjustments and the reasons for them shall be recorded in the minutes of the board of directors or committee meeting.
 - (6). Any actions taken with respect to determining if a board or committee member had a conflict of interest with respect to the compensation arrangement, and if so, actions taken to make sure the member with the conflict of interest did not affect or participate in the approval of the transaction (for example, a notation in the records that after a finding of conflict of interest by a member, the member with the conflict of interest was asked to, and did, leave the meeting prior to a discussion of the compensation arrangement and a taking of the votes to approve the arrangement).
 - (7). The minutes of the board of directors or committee meetings at which compensation arrangements are approved must be prepared before the later of the date of the next board of directors or committee meeting or 60 days after the final actions of the board of directors or committee are taken with respect to the approval of the compensation arrangements. The minutes must be reviewed and approved by the board of directors and committee as reasonable, accurate, and complete within a reasonable period thereafter, normally prior to or at the next board of directors or committee meeting following final action on the arrangement by the board of directors or committee.

Section 6. Annual Statements. Each director, principal officer, and member of a committee

with board of directors delegated powers shall annually sign a statement which affirms such person:

- (a). Has received a copy of the conflicts of interest policy;
- (b). Has read and understands the policy;
- (c). Has agreed to comply with the policy, and
- (d). Understands the corporation is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Section 7. Periodic Reviews. To ensure the corporation operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- (a). Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's-length bargaining.
- (b). Whether partnerships, joint ventures, and arrangements with management organizations conform to the corporation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes, and do not result in inurement, impermissible private benefit, or in an excess benefit transaction.

Section 8. Use of outside experts. When conducting the periodic reviews, the corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the board of directors of its responsibility for ensuring periodic reviews are conducted.

Attest: Alta Loma, California, on December 14, 2011

/s/ Keith G. Kato

Vice President-Secretary

The Heinlein Society

3553 Atlantic Avenue, #341

Long Beach, CA 90807-5606 USA