

BYLAWS
Of
FRIENDS OF THE RANCHO MIRAGE PUBLIC LIBRARY
A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION

ARTICLE ONE

NAME

Section 1.1. Name.

The name of this corporation is: Friends of the Rancho Mirage Public Library.

ARTICLE TWO

OFFICES

Section 2.1. Principal Office.

The principal office of this corporation is located at 71-100 Highway 111, Rancho Mirage, California 92270, Riverside County, California.

Section 2.2. Other Offices.

The board of directors may establish branch offices at any location in which the corporation is authorized to conduct its activities.

ARTICLE THREE

MEMBERSHIP

Section 3.1. Classes of Membership.

The corporation shall have the following four classes of members, with the following corresponding vote per class.

- (a) individual member class (one vote per individual member);
- (b) household member class (one vote per household);
- (c) life member class (one vote per individual, per household, or per business, holding a life membership, as the case may be); and
- (d) business member class (one vote per business).

No more than one membership may be held by any one person. The rights and privileges of all members shall be equal, notwithstanding the membership class.

Section 3.2. Qualifications.

Any person or business paying the dues as provided in these bylaws and agreeing to be bound by the articles of incorporation, by these bylaws, and by the rules and regulations adopted by the directors of this corporation is eligible for membership in this corporation.

Section 3.3. Application to Membership.

The directors shall prescribe the form and manner in which application for membership may be made.

Section 3.4. Admission of Members

Applicants shall be admitted to membership on payment of dues and delivery of a receipt and/or membership card.

Section 3.5. Certificates of Membership.

Membership certificates shall not be issued by this corporation.

Section 3.6. Dues.

- (a) The four classes of membership shall be distinguished by the dues paid by each.
- (b) The following fees shall be charged for making application for membership in the corporation:

Class 1. Individual member (Annual).....	\$20
Class 2. Household membership (Annual).....	\$30
Class 3. Business membership (Annual).....	\$50
Class 4. Life membership of an individual, a household, or a business, as the case may be (One time).....	\$1,000

- (c) Annual dues for individual, household and business members are for 12 months from the date of joining.

Section 3.7. Property Rights.

No member shall have any right, title, or interest in any of the property or assets, including any earnings or investment income, of this corporation. Nor shall any of the property or assets of the corporation be distributed to any member on dissolution or

winding up.

Section 3.8. Liability of Members.

No member of this corporation shall be personally liable for any of its debts, liabilities, or obligations. Nor shall any member be subject to any assessment.

Section 3.9. Transfer, Termination, and Reinstatement.

- (a) Membership in this corporation is nontransferable.
- (b) Any procedure for the expulsion or suspension of a member or the termination or suspension of membership or membership rights must be done in conformity with the provisions of Sections 5341 and 5342 of the California Corporations Code.
- (c) Individuals whose membership has been terminated in accord with Section 5341 of the California Corporations Code may apply for reinstatement in the same manner as application is made for initial membership.
- (d) The Membership of a member shall terminate upon the occurrence of any of the following events:
 - (1) Upon his or her notice of such termination delivered to the president or secretary of the corporation personally or by mail, such membership to terminate upon the date of delivery of the notice or date of deposit in the mail;
 - (2) Upon a determination by the board of directors that the member has engaged in conduct materially and seriously prejudicial to the interests and purposes of the corporation; and,
 - (3) If this corporation has provided for the payment of dues by members, upon a failure to renew his or her membership by paying dues on or before their due date, such termination to be effective sixty (60) days after a written notification of delinquency is given personally or mailed to such member. A member may avoid such termination by paying the amount of delinquent dues within a thirty (30) day period following the notification.

Section 3.10. Rights on Termination of Membership.

All rights of a member in the corporation shall cease on termination of membership as herein provided.

Section 3.11. Identification of Members and Membership Roster.

The corporation shall keep a membership roster containing the name and address of each member. Termination of the membership of any member shall be recorded in the roster, together with the date of termination of such membership. Such roster shall be kept at the corporation's principal office and shall be available for inspection by any director or member of the corporation.

Section 3.12. Number of Members.

There shall be no limitations on the number of members that shall be fully paid in any year.

ARTICLE FOUR

MEETINGS OF MEMBERS

Section 4.1. Annual Meeting.

An annual meeting of members shall be held during the January – March quarter of each year. If the day fixed for the annual meeting is a legal holiday in California, the meeting shall be held on the next succeeding business day. The meeting shall be held at 71-100 Highway 111, Rancho Mirage, CA 92270, or at such location as is designated by resolution of the board of directors. It is appropriate to consider at such meetings the election of directors and such other corporate business coming before the meeting. If the election of directors is not held on the day designated for any annual meeting, or at its adjournment, the board of directors shall cause the election to be held at a special meeting of members conducted as soon thereafter as convenient.

Section 4.2. Special Meetings.

Special meetings of members may be called by the president or the board of directors.

Section 4.3. Place of Meeting

The board of directors may designate any place in the State of California as the place of meeting for any annual or special meeting of members. If no designation is made or if a special meeting is otherwise called, the place of meeting shall be 71-100 Highway 111, Rancho Mirage, California. However, if all members meet at any time and place in the State of California and consent to the holding of a meeting, that meeting shall be valid without call or notice. Any corporate action may be taken at such a meeting.

Section 4.4. Notice of Meetings.

Written or printed notice stating the place, day and hour of any meeting of the members shall be delivered personally or deposited in the mail or sent by other means of written communication, to each member entitled to vote at such meetings, not fewer than 10 or more than 90 days prior to the date of such meeting. In case of special meetings, or when required by the bylaws or by law, the purpose or purposes for which the meeting is called

shall be stated in the notice. If sent by mail, a notice of meeting shall be deemed delivered when deposited in the United States postal service, postage prepaid, addressed to the member at the member's address as it appears on the books of the corporation at the time of mailing.

Section 4.5. Informal Action by Members.

Any action required or permitted to be taken at any meeting of members may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by all members entitled to vote on the matter. Election of members of the board of directors shall require the unanimous written consent of all members entitled to vote for the election of directors except in the case of an election to fill a vacancy, which shall require only a majority written consent of all members entitled to vote for the election of members of the board.

Section 4.6. Quorum.

Members comprising 20 percent of the total votes that may be cast at any meeting shall constitute a quorum at the meeting. If a quorum is not present at any meeting of members, a majority of those present may adjourn the meeting without further notice.

Section 4.7. Proxies.

At any meeting of members, a member entitled to vote may vote by proxy executed in writing by the member or by his or her authorized attorney. No proxy is valid after the date set for the annual meeting for that year unless otherwise provided in the proxy.

Section 4.8. Voting by Mail.

Where directors or officers are to be elected by members, such election may be conducted by mail in such manner as the board of directors shall determine.

Section 4.9. No Cumulative Voting.

There shall be no cumulative voting. Each member shall have one vote.

Section 4.10. Conduct of Meetings.

Meetings of the members shall be presided over by the president of the corporation, or in his or her absence, by the vice president of the corporation. The secretary of the corporation shall act as secretary of all meetings of members.

Meetings shall be governed by Robert's Rules of Order, as revised, insofar as such rules are not inconsistent with or in conflict with these bylaws, with the articles of incorporation of the corporation, or with any provision of law.

Section 4.11. Nominations.

A nominating committee of at least three members shall be appointed by the board at least ninety (90) days before the annual meeting of the corporation. This committee shall submit a report to the annual meeting providing a list of candidates who have agreed to serve on the board of directors if elected. After the presentation of the report of the committee, additional nominations of other members who have agreed to serve on the Board, if elected, may be made by members from the floor. Election of board members shall then be held by a ballot of the members present.

ARTICLE FIVE

DIRECTORS

Section 5.1. Number

The authorized number of directors of this corporation is eleven (11).

Section 5.2. Term of Office.

Each director shall serve for a term of three years following his or her election at the annual meeting of members or until the qualification of their successors in office. Election of directors shall rotate so that each year one-third (approximately, or in a sequence of 4, 4, and 3) of the directors will be elected for the subsequent three year period. A director may be re-elected but for not more than a total of three successive terms (9 years), subject to waive of the board of directors.

Section 5.3. Powers.

Except as otherwise provided in the articles of incorporation or by the California Nonprofit Public Benefit Corporation Law, the powers of this corporation shall be exercised, its properties controlled, and its affairs conducted by the board of directors, which may delegate the performance of any duties or the exercise of any powers to such officers and agents as the board may designate by resolution.

Section 5.4. Duties of Director.

It shall be the duty of the directors to:

- (a) perform any and all duties imposed on them collectively, individually by law, by the articles of incorporation of the corporation, or by these bylaws;
- (b) appoint and remove, employ and discharge, and, except as otherwise provided in these bylaws, prescribe the duties of all officers and agents of the corporation;

- (c) supervise all officers and agents of the corporation to assure that their duties are performed properly;
- (d) meet at such times and places as required by these bylaws; and
- (e) register their addresses with the secretary of the corporation and notices of mailings mailed to them at such addresses shall be valid notices thereof.

Section 5.5. Replacement of Directors.

- (a) Whenever a vacancy exists on the board of directors, the vacancy shall be filled by a majority of the remaining directors at a regular or special meeting of the board.
- (b) Any director may be removed in accordance with the provisions of Sections 5222 and 5223 of the California Corporations Code.
- (c) Any director may be removed by the board of directors in case of a fraudulent or dishonest act, gross abuse of authority or discretion with reference to the corporation, or breach of any duty arising under Sections 5231 through 5238, inclusive, of the California Corporations.
- (d) The term of any director who fails to attend at least one-half of the regular meetings for any reason in any year, measured from one annual meeting to the next, shall end at the annual meeting.
- (e) Any person designated to fill a vacancy in the board of directors shall hold office for the unexpired term of his or her predecessor in office, subject to the power of removal contained in these bylaws. Following the expiration of that director's partial term, that director shall be eligible for re-election for not more than three additional, successive terms.

Section 5.6. Compensation.

Directors shall serve without compensation.

Section 5.7. Advancement or Reimbursement of Expenses.

Directors shall be allowed reasonable advancement or reimbursement of expenses incurred in the performance of their regular duties as specified in Section 5.4. Directors may not be compensated for rendering services to the corporation in any capacity other than as director unless such other compensation is reasonable and is allowable under the provisions of Section 5.8.

Section 5.8. Restriction Regarding Interested Directors.

Notwithstanding any other provision of these bylaws, not more than forty-nine percent (49%) of the persons serving on the board may be interested persons. For purposes of this Section, "interested persons" means either:

- (a) Any person currently being compensated by the corporation for services rendered it within the previous twelve (12) months, whether as a full- or part-time officer or other employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director; 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 5.9. Meetings.

- (a) Meetings shall be held at such locations as the board of directors may designate by resolution. In the absence of such designation, meetings shall be held at the principal office of the corporation.
- (b) Regular meetings shall be held as soon as convenient after the first annual meeting and thereafter at regular quarterly intervals, or more often, throughout the year. At the first meeting, the board shall set a schedule for regular meetings to take place.
- (c) Notice of such meetings shall be signed by the secretary and mailed to each director at the address last recorded on the books of the corporation, not less than four (4) days prior to the meeting date. However, this requirement may be waived by resolution of the board of directors.
- (d) Special meetings of the board for any purpose or purposes shall be called at any time by the president, the vice president, the secretary or any three directors.
- (e) A majority of the board of directors shall constitute a quorum for the transaction of business at any meeting of the board. However, if less than a majority of the directors are present at any meeting, a majority of the directors present may adjourn the meeting without further notice.
- (f) Except as otherwise provided in these bylaws, in the articles of incorporation, or by law, the act of a majority of directors present at any meeting at which a quorum is present shall be the act of the board of directors.
- (g) All meetings of the board of directors shall be governed by Robert's Rules of Order, except to the extent such rules are inconsistent with these bylaws, with the articles of incorporation, or with applicable law.

Section 5.10. Action Without Meeting.

No meeting need be held by the board to take any action required or permitted to be taken by law, provided all members of the board individually or collectively consent in writing to such action, and the written consent or consents is or are filed with the minutes of the proceedings of the board. Action by written consent shall have the same force and effect as action by unanimous vote of the directors. Any certificate or other document filed under any provision of law relating to action so taken shall state that the action was taken by unanimous written consent of the board of directors without a meeting, and that the articles of incorporation and bylaws authorize the directors to so act. Such a statement is *prima facie* evidence of such authority.

Section 5.11. Liability of Directors.

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

Section 5.12. Indemnification by Corporation of Directors, Officers, Employees and Other Agents.

- (a) To the extent that a person who is, or was, a director, officer, employee or other agent of this corporation has been successful on the merits in defense of any civil, criminal, administrative or investigative proceeding brought to procure a judgment against such person by reason of the fact that he or she is, or was, an agent of the corporation, or has been successful in defense of any claim, issue or matter, therein, such person shall be indemnified against expenses actually and reasonably incurred by the person in connection with such proceeding.

- (b) If such person either settles any such claim or sustains a judgment against him or her, then indemnification against expenses, judgments, fines, settlements and other amounts reasonably incurred in connection with such proceedings shall be provided by this corporation but only to the extent allowed by, and in accordance with the requirements of, Section 5238 of the California Nonprofit Public Benefit Corporation Law.

Section 5.13. Insurance for Corporate Agents.

The board of directors may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of the corporation (including a director, officer or other agent of the corporation) against any liability other than for violating provisions of law relating to self-dealing (Section 5233 of the California Nonprofit Public Benefit Corporation Law) asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the corporation would have the power to indemnify the agent against such liability under the provisions of Section 5238 of the California Nonprofit Public Benefit Corporation Law.

Section 5.14. Rights of Inspection.

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

Section 5.15. Supermajority Approval Required.

Notwithstanding anything contained in these bylaws, action of the following matters shall be effective only if approved by two-thirds (2/3) of those directors present at a meeting at which a quorum is present:

- (a) Amendment of the bylaws (subject to the provisions of Article 12, Section 12.2);
- (b) Amendment of the Articles (subject to the provisions of Article 13);
- (c) A change in the general character of the operations of the corporation;
- (d) The purchase, sale, mortgage or lease of real property of the corporation or the sale of all or substantially all its assets;
- (e) Consolidation of the corporation with another corporation; and,
- (f) Dissolution of the corporation

ARTICLE SIX

OFFICERS

Section 6.1. Officers.

The officers of the corporation shall be a president, a vice-president, a secretary, and a treasurer.

Section 6.2. Election and Term of Office.

The officers of this corporation shall be elected or appointed annually by the board of directors at the regular annual meeting of the board of directors. If the election of officers is not held at that meeting, such election shall be held as soon after as convenient. New offices may be created and filled at any meeting of the board. Each officer shall hold office until a successor is duly elected and qualified.

Section 6.3. Removal and Resignation.

Any officer elected or appointed by the board of directors may be removed by the board of directors whenever, in its judgment, the interests of the corporation would be best served by such removal. Any such removal shall be without prejudice to the contract rights, if any, of the officer so removed.

Any officer may resign at any time by giving written notice to the board or to the president or secretary of the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.4. Vacancies.

Any vacancy caused by the death, resignation, removal, disqualification, or otherwise, or any officer shall be filled by the board of directors. In the event of a vacancy in any office other than that of the president, such vacancy may be filled temporarily by appointment by the president until such time as the board shall fill the vacancy. Vacancies occurring in the offices of officers appointed at the discretion of the board may or may not be filled as the board shall determine.

Section 6.5. President.

The president shall (a) be the chief executive officer of the corporation and shall exercise general supervision and control over all activities of the corporation; (b) preside at all meetings of members and of directors; (c) may sign, with the secretary or other officer authorized by the board of directors, any deeds, mortgages, bonds, contracts, or other instruments the execution of which is authorized by the board of directors, except in cases where the signing and execution of such instruments have been expressly delegated by the board of directors, by these bylaws, or by law to some other officer or agent of the corporation; (d) perform all duties incident to the office of president and those duties prescribed by the board of directors; (e) shall have the general powers and duties of the management usually vested in the office of president and general manager of a corporation and shall have such other powers and duties as may be prescribed by the Board. The president shall be elected from among the members of the corporation.

Section 6.6. Vice-President

In the absence of the president or in the event of the president's inability or refusal to act, the vice-president shall have all the powers of, and be subject to all the restrictions on, the president. The vice-president shall perform such additional duties assigned by the president or by the board of directors.

Section 6.7. Treasurer.

The treasurer shall (a) be the chief financial officer and, if required by the board of directors, shall give a bond for the faithful discharge of duties in a sum and with such sureties as the board of directors deems appropriate; (b) have charge and custody of and be responsible for all funds and securities of the corporation; (c) receive and give receipts for moneys due and payable to the corporation from any source, and shall deposit all such moneys in the name of the corporation in those banks, trust companies, or other depositories selected by the board of directors; (d) disburse, or cause to be disbursed, the funds of the corporation as may be directed by the Board, taking proper vouchers for such

disbursements; and (e) perform all duties incidental to the office of treasurer and such other duties assigned by the president or by the board of directors. He or she shall exhibit at all reasonable times the books of account and financial records to any director of the corporation and render to the president or the board of directors, whenever requested, an account of any or all of his or her transactions as Treasurer and of the financial condition of the corporation. The Treasurer shall prepare, or cause to be prepared, and certify, or cause to be certified, the financial statements to be included in any required reports and have such other powers and perform such other duties as may be prescribed by the Board.

Section 6.8. Secretary.

The secretary shall (a) keep the minutes of meetings of members and of the board of directors in one or more books provided for that purpose; (b) see that all notices are given in accordance with these bylaws or as required by law; (c) shall be custodian of the corporate records and seal of the corporation; (d) keep a membership book containing the names and addresses of all members and directors of the corporation, and with respect to any membership that has been terminated, record that fact together with the date of termination; (e) exhibit, at all reasonable times and on demand, the corporate bylaws, articles of incorporation, membership book, minutes of any meeting, and other corporate records to any director of the corporation, to any agent of such directors, or to any person or agency authorized by law to assist them. The secretary shall have such other powers and perform such other duties as may be prescribed by the Board.

ARTICLE SEVEN

COMMITTEES

Section 7.1. Advisory Committees.

The board of directors may by resolution approved by the Board, designate and appoint such advisory committee or committees on any subject within the powers of the corporation; such committee or committees are to have such powers to exercise such duties or to perform such services as may be prescribed, from time to time, by the Board. Such committee or committees shall have such name or names as may be stated in these bylaws or by the board when required. Members of the committee or committees may be composed of members of the board and/or members as required in the Board's resolution of appointment.

Section 7.2. Finance Committee.

The Board shall have authority of appointing a finance committee (a) for the controlling, managing, investing, and disposing of the property of this corporation; (b) for the purpose of earning an income from the property for the benefit of the charity, as distinguished from the matter of applying property and funds to charitable and stated purposes.

Section 7.3. Other Committees.

Other committees not having and exercising the managerial authority of the board of directors may be established by resolution duly adopted by majority vote of the board of directors. Except as otherwise provided by resolution, members of committees shall be members of the corporation and shall be selected by appointment of the president. Any member may be removed by the person or persons authorized to appoint that member, whenever in the judgment of such person or persons the interests of the corporation would be best served by such removal.

Section 7.4. Vacancies.

Vacancies in the membership of any committee shall be filled by appointments made in the same manner as provided in the case of original appointments. Any member so elected shall be elected for the unexpired term of his or her predecessor.

Section 7.5. Rules.

Each committee may adopt such rules and regulations for its meetings and the conduct of its activities as it deems appropriate. However such rules and regulations must be consistent with these bylaws. Regular minutes must be kept of all proceedings. Either an officer or director of the board shall be on and be the chair of any committee.

Section 7.6. Liability of Committee Members.

The members of any committee appointed by the board shall not be personally liable for its debts, liabilities, or other obligations.

ARTICLE EIGHT

EXECUTION OF INSTRUMENTS, DEPOSITS AND FUNDS

Section 8.1. Execution of Instruments.

The board of directors, except as otherwise provided in these bylaws, may by resolution authorize any officer or agent of the corporation to enter into a contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances. Unless so authorized, no officer or agent shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or render it liable monetarily for any purpose or amount.

Section 8.2. Checks and Notes.

Except as otherwise specifically determined by resolution of the board of directors, or as otherwise required by law, checks, drafts, promissory notes, orders for the payment of money, and other evidence of indebtedness of the corporation shall be signed by the Treasurer or other appropriate officer designated by the board of directors.

Section 8.3. Deposits.

All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the board of directors may select.

ARTICLE NINE

ACCEPTANCE OF GIFTS

Section 9.1. Acceptance of Gifts.

On behalf of the corporation, the board of directors may accept gifts of money, securities or other property on such terms as they shall approve, and may hold such cash, securities or other property in the name of the corporation or of such nominee or nominees as the board of directors may appoint. In addition, the board of directors may collect and receive the income from and may devote the principal or income of such gifts to such benevolent or charitable purposes within the scope of the activities of the corporation as the board of directors may determine. The board of directors may enter into an agreement with any donor to continue to devote the principal or income of the gift to such purposes as the donor may designate, provided that such purposes are duly approved or ratified by resolution of the board of directors. After such agreement, the principal or income of that particular gift shall be devoted in accordance with the agreement for the time specified in the agreement.

ARTICLE TEN

CORPORATE RECORDS AND REPORTS

Section 10.1. Maintenance of Certain Records.

The accounting books, records, minutes of proceedings of the board and Membership shall be kept at such a place as is designated by the Board. The minutes, accounting books and records shall be kept in written or typed form.

Section 10.2. Annual Report.

The board of directors shall cause an annual report to be furnished to the board of directors and, upon written request, to a member not later than 120 days after the close of the corporation's fiscal year. The annual report shall be accompanied by any report thereon of independent accountants or, if there is no such accountant's report, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the books and records of the corporation. The annual report shall contain in appropriate detail the following:

- (a) The assets and liabilities, including the trust and endowment funds, of the corporation as of the end of the fiscal year;
- (b) The principal changes in assets and liabilities, including trust and endowment funds, during the fiscal year;
- (c) The revenue or receipts of the corporation, both unrestricted and restricted to particular purposes, during the fiscal year; and
- (d) The expenses or disbursements of the corporation, for both general and restricted purposes, during the fiscal year.

ARTICLE ELEVEN

FISCAL YEAR

Section 11.1 Fiscal Year of the Corporation.

The fiscal year of the corporation shall begin on the first day of July and end on the last day of June of each calendar year.

ARTICLE TWELVE

AMENDMENT OF BYLAWS

Section 12.1. Amendment by the Members.

Subject to any provision of law applicable to the amendment of bylaws of public benefit nonprofit corporations, these bylaws, or any of them, may be altered, amended, or repealed and new bylaws adopted as follows in accordance with this corporation's articles of incorporation and bylaws:

- (a) Subject to the power of members, if any, to change or repeal these bylaws under Section 5150 of the California Corporations Code;
- (b) By approval of the members of this corporation.

Section 12.2. Amendment by Directors.

Subject to the limitations of the articles of incorporation, these bylaws and the California Nonprofit Public Benefit Corporation Laws, the bylaws of this corporation may be amended, repealed, or added to, or new bylaws may be adopted, by a resolution of the board of directors unless the bylaw amendment would materially and adversely affect the rights of members as to voting or transfer.

ARTICLE THIRTEEN

AMENDMENT OF ARTICLES

Section 13.1. Amendment of Articles Before Admission of Members.

Before any members have been admitted to the corporation, any amendment of the articles of incorporation may be adopted by approval of the board of directors.

Section 13.2. Amendment of Articles After Admission of Members.

After members have been admitted to the corporation, amendment of the articles of incorporation may be adopted by the approval of the board of directors or by approval of the members of this corporation.

ARTICLE FOURTEEN

INVESTMENT AND DISPOSITION OF FUNDS

Section 14.1. Investment and of Funds.

- (a) All funds (hereinafter “institutional funds”) contributed to the corporation shall be managed in accordance with the Uniform Prudent Investment of Institutional Funds Act (hereinafter “UPMIFA”).
- (b) Subject to the intent of the donor as stated in a gift instrument, the corporation, in managing institutional funds, shall consider the charitable purposes of the corporation and the institutional funds. The institutional funds shall be managed and invested in good faith and with the care an ordinary person in a like position would exercise under similar circumstances. In managing and investing, the

corporation may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the corporation, and the skills available to the corporation, and shall make a reasonable effort to verify facts relevant to the management and investment of the funds. Two or more institutional funds may be pooled for management or investment purposes.

- (c) Except as otherwise provided in a gift instrument, in managing an institutional fund, all of the following factors, if relevant, must be considered: (1) general economic conditions, (2) the possible effect of inflation or deflation, (3) the expected tax consequences, if any, of investment decisions or strategies, (4) the role that each investment or course of action plays within the overall investment portfolio of the fund, (5) the expected total return from income and the appreciation of investments, (6) other resources of the institution, (7) the needs of the institution and the fund to make distributions and to preserve capital, and (8) an asset's special relationship or special value, if any, to the charitable purposes of the institution.
- (d) The corporation shall diversify the investments of institutional funds unless the corporation reasonably determines that because of special circumstances, the purposes of the fund are better served without diversification.
- (e) Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.
- (f) Within a reasonable time after receiving property, the corporation shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the institutional funds into compliance with the purposes, terms, and distribution requirements of the corporation as necessary to meet other circumstances of the corporation and the requirements of UPMIFA.

Section 14.2. Expenditure of Funds.

- (a) The board of directors shall consider, at least annually, the expenditure of funds contributed to the corporation. In making its consideration, it shall solicit from the Library Director of the Rancho Mirage Public Library, or from such other representatives of the City of Rancho Mirage as the board of directors deems appropriate, a statement of funding priorities and requests. The board of directors shall make an independent assessment of the solicited priorities and requests, and it shall not be bound by the statement of funding priorities and requests.
- (b) Funds not wholly expendable on a current basis under the gift instrument shall constitute the endowment funds of the corporation. Subject to a donor's intent contained as stated in a gift instrument, the corporation may appropriate for expenditure or accumulate so much of the endowment fund as the institution determines is prudent for the uses, purposes and duration for which the

- endowment was established. Unless stated otherwise in the gift instrument, the assets of the endowment fund are donor-restricted until appropriated for expenditure. In determining to appropriate or accumulate, the corporation shall act in good faith, with the care that an ordinary prudent person in a like position would exercise in similar circumstances, and shall consider, if relevant, all of the following factors: (1) the duration and preservation of the endowment fund; (2) the purposes of the corporation and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the institution; (7) the investment policy of the institution.
- (c) To limit the institution's authority to appropriate for expenditure or accumulate under the immediately preceding paragraph, a gift instrument must specifically state the limitation. Terms in a gift instrument designating a gift as an endowment or instructions in the gift instrument to use only "income," "interest," "dividends," or "rents, issues or profits," or "to preserve the principal in tact" or words of similar import have both of the following effects: (1) to create an endowment fund of permanent duration unless otherwise stated in the gift instrument, and (2) to not otherwise limit the authority to appropriate for expenditure or accumulate as allowed under the immediately preceding paragraph.
 - (d) No appropriation for expenditure in any year of more than 7% of the fair market value of the endowment fund (calculated on the basis of market values determined at least quarterly and averaged over a period of not less than 3 years immediately preceding the year in which the appropriation for expenditure is made) shall be made. For endowments in existence fewer than 3 years, the fair market value of the endowment fund shall be calculated for the period the endowment fund has been in existence.
 - (e) Except as prohibited by a gift instrument or law, the corporation may delegate to an external agent the management and investment of an institutional fund to the extent that the corporation could prudently delegate under the circumstances. The corporation shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in all of the following: (1) selecting an agent, (2) establishing the scope and terms of the delegation, consistent with the purposes of the institution and the institutional fund, and (3) periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the scope and terms of the delegation. Any agent so selected shall owe a duty to the institution to exercise reasonable care to comply with the scope and terms of the delegated function.
 - (f) If a donor consents in writing, the corporation may release or modify a restriction contained in the gift instrument on the management, investment, or purpose of an institutional fund. A release or modification may not allow a fund to be used for a purpose other than a charitable purpose of the corporation.