

BYLAWS

OF

THE ENDOWMENT FUND

OF THE UNITARIAN SOCIETY OF SANTA BARBARA

a California nonprofit religious corporation

BYLAWS
OF
THE ENDOWMENT FUND
OF THE UNITARIAN SOCIETY OF SANTA BARBARA
a California nonprofit religious corporation

1 **INTRODUCTION**

These bylaws shall be for the regulation of THE ENDOWMENT FUND OF THE UNITARIAN SOCIETY OF SANTA BARBARA (the "Corporation"), except as otherwise provided by applicable California or Federal law or by the Articles of Incorporation.

2 **OFFICES OF THE CORPORATION**

2.1 **Principal Office**

The principal office for the transaction of the activities and affairs of the Corporation is located at 1535 Santa Barbara Street, Santa Barbara, California. The board of directors may change the principal office from one location to another. Any change of location of the principal office shall be noted by the secretary on these bylaws opposite this section, or this section may be amended to state the new location.

2.2 **Other Offices**

The board may at any time establish branch or subordinate offices at any place or places where the Corporation is qualified to conduct its activities.

3 **PURPOSES AND LIMITATIONS**

3.1 **General Purposes**

This Corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

3.2 **Specific Purposes and Mission**

Within the context of the general purposes stated above, this Corporation shall receive, hold and administer bequests and gifts, for the benefit of the Unitarian Society of Santa Barbara (the "Society"), which are intended for long term investment and for providing a continuing stream of future cash payments to the society, while preserving or increasing the assets of the fund. In carrying out this specific purpose, the Corporation shall adhere to the following principals:

3.2.1 Investment Policies

(a) Standard of Care.

All funds of the Corporation are held by the Board of Directors as a fiduciary. The board shall exercise the care, skill, prudence and diligence under the circumstances prevailing at the time of the action or decision that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims to accomplish the purposes of the Corporation. All funds are held by the Corporation as a steward for the sake of carrying out its mission and purpose. In exercising judgment under this paragraph, the Board shall consider the long and short term needs of the Corporation in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, general economic conditions, the appropriateness of a reasonable proportion of higher risk investment with respect to the Corporation's funds as a whole, income, growth, and long term net appreciation, as well as probable safety of funds.

(b) Policy on Investments.

The primary investment objective of the Corporation is to preserve and protect its assets while earning an appropriate total return (defined as dividends and interest, plus capital gains/losses, less expenses) appropriate to the Corporation's time horizon, liquidity needs and risk tolerance.

(c) Delegation.

The Board of Directors may, at its sole discretion, contract with independent investment advisors, investment counsel or managers, banks, or trust companies to assume the investment management of funds and assets owned or administered by the Corporation.

(d) Asset Mix Policy.

To accomplish the above objectives, the Corporation may utilize portfolios of equity securities (common stocks and convertible securities), fixed-income securities, and short term (cash) investments, with the range of asset allocation determined from time to time by the board of directors in light of the above described policies.

(e) Asset Diversification Policy

The Corporation shall maintain reasonable diversification of assets at all times. It may not allow the

investments in equity securities of any one company to exceed 5% of the portfolio, nor the total securities position (debt and equity) to exceed 10% of the portfolio. It shall also maintain reasonable sector allocations and diversification, with no more than 25% of the entire portfolio invested in the securities of any one sector.

(f) Transaction Policy.

All purchases of securities will be for cash and there will be no margin transactions, short selling, or commodity transactions.

3.2.2 Policy on Distributions.

The Corporation shall make semiannual payments to the Society of 3% of the ending "working assets" (total assets less loan balances due from the Society and less accruals of cash distributions due to the Society) averaged over the previous four semiannual reporting periods. These payments shall be calculated during the preparation of the reports for the periods ending either June 30th or December 31st of each year, and each report shall include a statement of the amount to be distributed to the Society on or before the following September 30th or March 30th.

3.2.3 Policy To Encourage Donations.

It shall be the policy of the Corporation to encourage donations and bequests. In keeping with this policy, the Board is authorized to pay from the assets of the Corporation, at its discretion, the reasonable attorney fees and costs incurred by such donors in establishing charitable remainder trusts or similar estate planning vehicles.

3.3 Limitations

3.3.1 Prohibition on Borrowing or Lending.

The Corporation shall not lend any of its assets (beyond what may have already been lent as of the date of the adoption of these bylaws) to any other organization or individual nor shall it encumber, hypothecate, or in any way grant a security interest in the assets of the Corporation. The Corporation shall not borrow funds and shall not be responsible for debts incurred or contracted by any group or individual, whether connected with the Society or not.

3.3.2 Prohibition on Propaganda, etc.

The Corporation shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal

Revenue Code or by a corporation to which contributions are deductible under Section 170(c)(2) of the Internal Revenue Code. No substantial part of the activities of this Corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

4 MEMBERS

This Corporation shall have no members.

5 DIRECTORS

5.1 Powers

5.1.1 General Corporate Powers

Subject to the provisions and limitations of the California Nonprofit Religious Corporations Law and any other applicable laws, the Corporation's activities and affairs shall be managed, and all corporate powers shall be exercised, by or under the direction of a board of directors.

5.1.2 Specific Powers

Without prejudice to the general powers set forth in subsection 5.1.1. of these bylaws, but subject to the same limitations, the directors shall have the power to:

(a) appoint and remove all the Corporation's officers; and

(b) adopt and use a corporate seal and alter the forms of the seal.

5.1.3 Specific Duties

The specific duties of the Directors include, but are not limited to, the following components, performed fully within the guidelines and principals established in Section 3 ("Purposes and Limitations") herein above:

(a) Establishing an appropriate asset allocation;

(b) Making and executing investment selections (choosing stocks, bonds, or other instruments);

(c) Reporting on and evaluating investment performance; and

(d) Maintaining custody of the assets.

5.2 Number and Qualification of Directors

5.2.1 Authorized Number and Qualifications

The board shall consist of Four (4) directors. Each member of the board shall be a member of the Unitarian Society of Santa Barbara. One member of the board shall be the Treasurer of the Unitarian Society of Santa Barbara.

5.2.2 Restriction on Interested Persons as Directors

No more than forty-nine percent (49%) of the persons serving on the board may be interested persons. An interested person is (a) any person compensated by the Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director; and (b) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or father-in-law of such person. However, any violation of the provisions of this subsection shall not affect the validity or enforce ability of any transaction entered into by the Corporation.

5.3 Election, Designation and Term of office

5.3.1 Designation of Directors

All directors but the Society's Treasurer shall serve a three year term except when the term must be shortened to achieve staggered ending dates. Persons who have served as directors up to two consecutive full terms may be reappointed to a new term after an absence of at least one year from the Board.

5.3.2 Resignations

Except as provided below, any director may resign by giving written notice to the chairman of the board, if any, or to the president or the secretary of the board. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective. If a director's resignation is effective at a later time, the board may elect a successor to take office as of the date when the resignation becomes effective. Except on notice to the Attorney General of California, no director may resign if the Corporation would be left without a duly elected director or directors.

5.3.3 Removal of Director

A member of the board may be removed from office as follows:

(a) The board may declare vacant the office of a director who has been declared of unsound mind by a final order of court, or convicted of a felony.

(b) The board may declare vacant the office of a director who misses four regular meetings without notice during a calendar year.

(c) A member of the board may be removed by order of the superior court, at the suit of another director or the Attorney General, in case of fraudulent acts.

(d) A member of the board may be removed without cause if such removal is approved by a majority vote of the remaining members of the board.

5.3.4 Filling Vacancies

Vacancies in the board shall be filled by majority vote of the Board of Trustees of the Unitarian Society of Santa Barbara. Each director so elected shall hold office until the expiration of the term of the replaced director and until a successor has been elected and qualified. A vacancy or vacancies on the board shall be deemed to exist in case of the death, resignation, or removal of any director, or if the authorized number of directors is increased.

5.3.5 No Vacancy on Reduction of Number of Directors

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

5.4 Directors' Meetings

5.4.1 Place of Meetings

Meetings of the board shall be held at any place within or outside California that has been designated by resolution of the board or in the notice of the meeting, or, if not so designated, at the principal office of the Corporation.

5.4.2 Meetings by Telephone

Any meeting may be held by conference telephone or similar communication equipment, as long as all directors participating in the meeting can hear one another. All such directors shall be deemed to be present in person at such a

meeting.

5.4.3 Annual Meeting

The board shall hold an annual meeting during the month of January for purposes of organization, election of officers and transaction of other business.

5.4.4 Other Regular Meetings

Other regular meetings of the board may be held without notice at such time and place as the board may fix from time to time.

5.4.5 Special Meetings

(a) Authority to Call

Special meetings of the board for any purpose may be called at any time by the chairman of the board, if any, the president or any vice president, or the secretary or any two directors.

(b) Notice

(1) Manner of Giving Notice

Notice of the time and place of special meetings shall be given to each director by one of the following methods: (a) by personal delivery of written notice; (b) by first-class mail, postage prepaid; (c) by telephone, either directly to the director or to a person at the director's office who would reasonably be expected to communicate that notice promptly to the director; (d) by telegram, charges prepaid; or (e) by telefax. All such notices shall be given or sent to the director's address or telephone number as shown on the records of the Corporation.

(2) Time Requirements

Notices sent by first-class mail shall be deposited in the United States mails at least Five (5) days before the time set for the meeting. Notices given by personal delivery, telephone, or telefax shall be delivered, telephoned, given to the telegraph company or telefaxed at least forty-eight (48) hours before the time set for the meeting.

(3) Notice-Contents

The notice shall state the time of the meeting, and the place, if the place is other than the principal

office of the Corporation. It need not specify the purpose of the meeting.

5.4.6 Quorum

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn. Every action taken or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be the act of the board, subject to the more stringent provisions of the California Nonprofit Religious Corporation Law, including, without limitation, those provisions relating to (1) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (2) approval of certain transactions between Corporations having common directorships, (3) creation of and appointments to committees of the board, and (4) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of directors, if any action taken or decision made is approved by at least a majority of the required quorum for that meeting.

5.4.7 Waiver of Notice

Notice of a meeting need not be given to any director who, either before or after the meeting, signs a waiver of notice, a written consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings. Notice of a meeting need not be given to any director who attends the meeting and does not protest, before or at the commencement of the meeting, the lack of notice to him or her.

5.4.8 Adjournment

A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place.

5.4.9 Notice of Adjourned Meeting

Notice of the time and place of holding an adjourned meeting need not be given unless the original meeting is adjourned for more than twenty-four (24) hours. If the original meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time and place shall be given, before the time of the adjourned meeting, to the directors who were not present at the time of the adjournment.

5.5 Action Without a Meeting

Any action that the board is required or permitted to take may be taken without a meeting if all members of the board consent in writing to the action; provided, however, that the consent of any director who has a material financial interest in a transaction to which the Corporation is a party and who is an "interested director" as defined in Section 9243 of the California Corporations Code shall not be required for approval of that transaction. Such action by written consent shall have the same force and effect as any other validly approved action of the board.

All such consents shall be filed with the minutes of the proceedings of the board.

5.6 Compensation and Reimbursement

Directors and members of committees shall not receive any compensation for their services as directors or officers. Directors and members of committees may be reimbursed for such expenses as the board may determine by resolution to be just and reasonable as to the Corporation at the time that the resolution is adopted.

5.7 Committees

5.7.1 Committees of the Board

The board, by resolution adopted by a majority of the directors then in office, provided a quorum is present, may create one or more committees, each consisting of two or more directors and no persons who are not directors, to serve at the pleasure of the board. Appointments to committees of the board shall be by majority vote of the directors then in offices. The board may appoint one or more directors as alternate members of any such committee, who may replace any absent member at any meeting. Any such committee, to the extent provided in the board resolution, shall have all the authority of the board, except that no committee, regardless of board resolution, may:

(a) Fill vacancies on the board or on any committee that has the authority of the board;

(b) Fix compensation of the directors for serving on the board or on any committee;

(c) Amend or repeal bylaws or adopt new bylaws;

(d) Amend or repeal any resolution of the board that by its express terms is not so amendable or repeal able;

(e) Create any other committees of the board or

appoint the members of committees of the board; or

(f) Approve any contract or transaction to which the Corporation is a party and in which one or more of its directors has a material financial interest, except as special approval is provided for in Section 9243(d)(4) of the California Corporations Code.

5.7.2 Meetings and Action of Committees

Meetings and actions of committees of the board shall be governed by, held, and taken in accordance with the provisions of these bylaws concerning meetings and other board actions, except that the time for regular meetings of such committees and the calling of special meetings of such committees may be determined either by board resolution or, if there is none, by resolution of the committee of the board. Minutes of each meeting of any committee of the board shall be kept and shall be filed with the corporate records. The board may adopt rules for the government of any committee, provided they are consistent with these bylaws or, in the absence of rules adopted by the board, the committee may adopt such rules.

6 OFFICERS

6.1 Officers of the Corporation

The officers of the Corporation shall be a president, a secretary, and Treasurer. The Corporation may also have, at the board's discretion, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with section 6.3. of these bylaws. Any number of offices may be held by the same person, except that neither the secretary nor the Treasurer may serve concurrently as either the president or the chairman of the board.

6.2 Election of Officers

The officers of the Corporation, except those appointed under section 6.3. of these bylaws, shall be chosen annually by the board and shall serve at the pleasure of the board, subject to the rights, if any, of any officer under any contract of employment.

6.3 Other Officers

The board may appoint and may authorize the chairman of the board, the president, or other officer, to appoint any other officers that the Corporation may require. Each officer so appointed shall have the title, hold office for the period, have the authority, and perform the duties specified in the bylaws or determined by the board.

6.4 Removal of Officers

Without prejudice to any rights of an officer under any contract of employment, any officer may be removed with or without cause by the board and also, if the officer was not chosen by the board, by any officer on whom the board may confer that power of removal.

6.5 Resignation of Officers

Any officer may resign at any time by giving written notice to the Corporation. The resignation shall take effect as of the date the notice is received or at any later time specified in the notice and, unless otherwise specified in the notice, the resignation need not be accepted to be effective. Any resignation shall be without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

6.6 Vacancies in Office

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these bylaws for regular appointments to that office; provided, however, that vacancies shall be filled as they occur and not on an annual basis.

6.7 Responsibilities of officers

6.7.1 President

Subject to the control of the board, the president shall be the general manager of the Corporation and shall supervise, direct and control the Corporation's activities, affairs and officers. The president shall preside at all board meetings. The president shall have such other powers and duties as the board or the bylaws may prescribe.

6.7.2 Vice Presidents

If the president is absent or disabled, the vice presidents, if any, in order of their rank as fixed by the board, or, if not ranked, a vice president designated by the board, shall perform all duties of the president. When so acting, a vice president shall have all powers of and be subject to all restrictions on the president. The vice president shall have such other powers and perform such other duties as the board or the bylaws may prescribe.

6.7.3 Secretary

(a) Book of Minutes

The secretary shall keep or cause to be kept, at the Corporation's principal office or such other place as the board may direct, a book of minutes of all meetings, proceedings and actions of the board and committees of the board. The minutes of meetings shall include the time and place that the meeting was held, whether the meeting was annual, regular, or special, and, if special, how authorized, the notice given, and the names of those present at board and committee meetings. The secretary shall keep or cause to be kept, at the principal office in California, a copy of the articles of incorporation and bylaws, as amended to date.

(b) Notices, Seal, and Other Duties

The secretary shall give, or cause to be given, notice of all meetings of the board and of committees of the board required by these bylaws to be given. The secretary shall keep the corporate seal, if any, in safe custody and shall have such other powers and perform such other duties as the board or the bylaws may prescribe.

6.7.4 Treasurer

(a) Books of Account

The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the Corporation's properties and transactions. The Treasurer shall send or cause to be given to the directors such financial statements and reports as are required to be given by law, by these bylaws, or by the board. The books of account shall be open to inspection by any director and any Trustee of the Society at all reasonable times.

(b) Deposit and Disbursement of Money and Valuables

The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Corporation with such depositories as the board may designate, shall disburse the Corporation's funds as the board may order (while requiring at all times the signatures of at least two officers or directors of the Corporation for the withdrawal of cash from any account of the Corporation), shall render to the president and the board, when requested, an account of all transactions as Treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as the board or the bylaws may prescribe.

(c) Bond

If required by the board, the treasurer shall give the Corporation a bond in the amount and with the surety or

sureties specified by the board for faithful performance of the duties of the office and for restoration to the Corporation of all of its books, papers, vouchers, money, and other property of every kinds in the possession or under the control of the Treasurer on his or her death, resignation, retirement or removal from office. The fee for any bond required for the treasurer shall be paid by the Corporation.

(d) Required Audit and Review.

The treasurer shall ensure that the annual books of account for the Corporation shall be audited every third year, and that a review be performed in all other years, by a duly licensed Certified Public Accountant.

7 RESPONSIBILITIES OF MANAGEMENT

7.1 General Standard of Conduct for Directors

Except as otherwise provided by law:

7.1.1 Standard of Care

A director shall perform the duties of a director, including duties as a member of any committee of the Board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of the Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

7.1.2 Director Reliance on Reports

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:

(a) one or more officers or employees of the Corporation whom the director believes to be reliable and competent in the matters presented;

(b) counsel, independent accountants or other persons as to matters which the director believes to be within such person's professional or expert competence; or

(c) a committee of the board upon which the director does not serve, as to matters within its designated authority, which committee the director believes to merit 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.

7.2 Self-Dealing Transactions

7.2.1 Definition

Except as provided in subsection 7.2.2. of this Article, a self-dealing transaction means a transaction to which the Corporation is a party and in which one or more of its directors has a material financial interest. Such a director is an "interested director" for the purpose of this section.

7.2.2 Excepted Transactions

The provisions of this section do not apply to any of the following:

(a) an action of the Board fixing the compensation of a director as a director or officer of the Corporation;

(b) a transaction which is part of a public or charitable program of the Corporation if it is approved or authorized by the Corporation in good faith and without unjustified favoritism; and results in a benefit to one or more directors or their families because they are in the class of persons intended to be benefitted by the public or charitable program; or

(c) a transaction in which the interested director or directors have no actual knowledge, and which does not exceed the lesser of one percent (1%) of the gross receipts of the Corporation for the preceding fiscal year or One Hundred Thousand Dollars (\$100,000).

7.2.3 Requirements for Self-Dealing Transactions

The Corporation shall not enter into a self-dealing transaction unless either:

(a) the following facts are established:

(1) the transaction is for the benefit of the Corporation;

(2) the transaction is fair and reasonable as to the Corporation;

(3) prior to consummating the transaction or any part thereof, the Board authorizes or approves the transaction in good faith by a vote of a majority of the directors then in office without counting the vote of the interested director or

directors, and with knowledge of the material facts concerning the transaction and the director's or directors' interest in the transaction. Except as provided in paragraph 7.2.3(b) of this Article, action by a committee of the Board shall not satisfy this subparagraph; and

(4) prior to authorizing or approving the transaction, the Board considers and in good faith determines after reasonable investigation under the circumstances that the Corporation cannot obtain a more advantageous arrangement with reasonable effort under the circumstances; or

(b) the following facts are established:

(1) a committee or person authorized by the Board approves the transaction in a manner consistent with the standards set forth in paragraph 7.2.3(a) of this Article;

(2) it is not reasonably practicable to obtain approval of the Board prior to entering into the transaction; and

(3) the board, after determining in good faith that the conditions of subparagraphs (1) and (2) of this paragraph have been satisfied, ratifies the transaction at its next meeting by a vote of the majority of the directors then in office without counting the vote of the interested director or directors.

7.2.4 Quorum when Board Approves

At a meeting of the Board or committee of the Board which authorizes, approves or ratifies a contract or transaction, a quorum shall be required to act, but interested directors may be counted in determining the presence of the quorum.

7.3 Interlocking Directorates

7.3.1 Requirements for Approval of Transactions

Neither the board nor a committee thereof shall authorize, approve or ratify any contract or other transaction with another domestic or foreign corporation, firm or association of which one or more directors are also directors of this Corporation unless:

(a) the material facts as to the transaction as to such director's other directorship are fully disclosed or known to the board or committee, and the board or committee authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient without counting the vote of the common director or directors, although such common director or directors may be counted in determining whether a quorum is present; or

(b) as to contracts or transactions not approved as provided in paragraph 7.3.1(a) of this Article, the contract or transaction is just and reasonable as to the Corporation.

7.3.2 Application of Section

This section does not apply to transactions covered by section 7.2. of this Article.

7.4 Loans to Officers and Directors

The Corporation shall not make any loan of money or property to or guarantee the obligation of any director or officer unless approved by the Attorney General; provided, however, that the Corporation may advance money to a director or officer of the Corporation for expenses reasonably anticipated to be incurred in the performance of the duties of such officer or director, provided that in the absence of such advance, such director or officer would be entitled to be reimbursed for such expenses by the Corporation.

The provisions of this section do not apply to the payment of premiums in whole or in part by the Corporation on a life insurance policy on the life of a director or officer so long as repayment to the Corporation of the amount paid by it is secured by the proceeds of the policy and its cash surrender value.

7.5 Indemnification of Directors, Officers, Employees and Other Agents

7.5.1 Definitions

For purposes of this section:

(a) The term "agent" means any person who is or was a director, officer, employee or other agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or was a director, officer, employee or agent of a foreign or domestic corporation that was a predecessor corporation of the Corporation or of another enterprise at the request of the predecessor corporation.

(b) The term "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative.

(c) The term "expenses" includes, without limitation, all attorneys, fees, costs and any other expenses incurred in the defense of any claims or proceedings against an

agent and all attorneys' fees, costs and other expenses incurred in establishing a right to indemnification under this section.

7.5.2 Successful Defense by Agent

To the extent that an agent of this Corporation has been successful on the merits in the defense of any proceeding referred to in this section, or in the defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection with the claim. If an agent either settles any such claim or sustains a judgment rendered against him, then the provisions of subsections 7.5.3. through 7.5.5. of this Article shall determine whether the agent is entitled to indemnification.

7.5.3 Actions Brought by Persons Other Than the Corporation

Subject to the required findings to be made pursuant to subsection 7.5.5. of this Article, the Corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding (other than an action brought by, or on behalf of, the Corporation, or by an officer, director or person granted related status by the Attorney General, or by the Attorney General on the ground that the defendant director was or is engaging in a self-dealing transaction within the meaning of section 7.2. of this Article, or by the Attorney General or a person granted related status by the Attorney General for any breach of duty relating to the assets held in charitable trust) by reason of the fact that such person is or was an agent of the Corporation, for all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with the proceeding.

7.5.4 Action Brought by or on Behalf of the Corporation

(a) Claims Settled Out of Court

If any agent settles or otherwise disposes of a threatened or pending action brought by or on behalf of the Corporation, with or without court approval, the agent shall receive no indemnification for either amounts paid pursuant to the terms of the settlement or other disposition or for any expenses incurred in defense against the proceeding.

(b) Claims and Suits Awarded Against Agent

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action brought by or on behalf of

the Corporation by reason of the fact that the person is or was an agent of the Corporation, for all expenses actually and reasonably incurred in connection with the defense of that action, provided that both of the following are met:

(1) the determination of good faith conduct required by subsection 7.5.5. of this Article, is made in the manner provided for therein; and

(2) upon application, the court in which the action was brought determines that, in view of all of the circumstances of the case, the agent should be entitled to indemnity for the expenses incurred.

If the agent is found to be so entitled, the court shall determine the appropriate amount of expenses to be reimbursed.

7.5.5 Determination of Agent's Good Faith Conduct

The indemnification granted to an agent in subsections 7.5.3. and 7.5.4. of this Article is conditioned on the following:

(a) Required Standard of Conduct

The agent seeking reimbursement must be found, in the manner provided below, to have acted in good faith, in a manner he believed to have been in the best interest of the Corporation and, in the case of a criminal proceeding, without reasonable cause to believe such conduct was unlawful, and (in the case of an action brought by or on behalf of the Corporation) with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use in similar circumstances. The termination of any proceeding by judgment, order, settlement, conviction or on a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act within these required standards.

(b) Manner of Determination of Good Faith Conduct

The determination that the agent did act in a manner complying with paragraph 7.5.5(a) of this Article must be made by:

(1) the Board by a majority vote of a quorum consisting of directors who are not parties to the proceeding; or

(2) the court in which the proceeding is or was pending upon application brought by the Corporation or the agent or the attorney or other person rendering a defense to the agent, whether or not the application by the agent, attorney or

other person is opposed by the Corporation.

7.5.6 Advance of Expenses

Expenses incurred in defending any proceeding may be advanced by the Corporation before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the agent to repay the amount of the advance unless it is determined ultimately that the agent is entitled to be indemnified as authorized in this section.

7.5.7 Limitations

No indemnification or advance shall be made under this section, except as provided in subsection 7.5.2 or subparagraph 7.5.5.(b)(2) of this Article 7, in any circumstance when it appears:

(a) that the indemnification or advance would be inconsistent with a provision of the Articles of Incorporation or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) that the indemnification would be inconsistent with any condition expressly imposed by a court in approving a settlement.

7.5.8 Contractual Rights of Non-directors and Non-officers

Nothing contained in this section shall diminish any right to indemnification to which persons other than directors and officers of the Corporation, or any subsidiary hereof, may be entitled by contract or otherwise.

7.5.9 Insurance

The Board may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of the directors and any agent of the Corporation against any liability asserted against or incurred by the director or agent in such capacity or arising out of the director or agent's status as such, whether or not the Corporation would have the power to indemnify the director or agent against that liability under the provisions of this section, except for a liability based upon a self-dealing transaction within the meaning of section 7.2 of this Article 7.

7.5.10 Fiduciaries of a Corporate Employee Benefit Plan

This section does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in that person's capacity as such, even though that person may also be an agent of the Corporation as defined in paragraph 7.5.1.(a) of this Article 7. Nothing contained in this section shall limit any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by applicable law.

8 RECORDS AND REPORTS

8.1 Maintenance of Corporate Records

The Corporation shall keep (1) adequate and correct books and records of account, (2) written minutes of the proceedings of its board and committees of the board.

8.2 Maintenance and Inspection of Articles and Bylaws

The Corporation shall keep at its principal office, or if its principal office is not in California, at its principal business office in this state, the original or a copy of the articles of incorporation and bylaws, as amended to date.

8.3 Inspection by Directors

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

8.4 Semi Annual Reports

8.4.1 Required Information.

The Board shall cause semi annual reports (the two together shall comprise the Annual Report) to be sent to directors and the Board of Trustees of the Society within 90 days after the second and fourth quarters. Each report shall contain the following information, in appropriate detail, for the period:

(a) The name and quantity of each security purchased or sold, with the price and transaction date;

(b) A description of each security, including its percentage of the total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and

indicated annual income and yield (%) at market;

(c) A description of the entire portfolio's investment performance;

(d) the revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes;

(e) the expenses or disbursements of the Corporation for both general and restricted purposes; and

(f) any information required by section 8.5 of these bylaws.

8.4.2 Certification

The annual report shall be accompanied by any report on it of independent accounts or, if there is no such report, by the certificate of an authorized officer of the Corporation that such statements were prepared without audit from the Corporation's books and records.

8.5 Annual Statement of Certain Transactions and Indemnifications

As part of the annual report or as a separate document if no annual report is issued, the Corporation shall annually prepare and mail or deliver to each director a statement of any transaction or indemnification of the following kind within one hundred twenty (120) days after the end of the Corporation's fiscal year:

8.5.1 Transactions with Interested Persons

...any transaction (i) in which the Corporation, its parent, or its subsidiary was a party, (ii) in which an "interested person" had a direct or indirect material financial interest, and (iii) which involved more than Fifty Thousand Dollars (\$50,000), or was one of a number of transactions with the same interested person involving, in the aggregate, more than Fifty Thousand Dollars (\$50,000). For this purpose, an "interested person" is either of the following:

(a) any director or officer of the Corporation, its parent, or subsidiary (but mere common directorship shall not be considered such an interest); or

(b) any holder of more than ten percent (10%) of the voting power of the Corporation, its parent, or its subsidiary.

The statement shall include a brief description of the transaction, the names of interested persons involved, their

relationship to the Corporation, the nature of their interest in the transaction and, if practicable, the amount of that interest, provided that if the transaction was with a partnership in which the interested person is a partner, only the interest of the partnership need be stated.

8.5.2 Indemnity

...any indemnifications or advances aggregating more than Ten Thousand Dollars (\$10,000) paid during the fiscal year to any officer or director of the Corporation under section 7.5. of these bylaws.

9 CONSTRUCTION AND DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction and definitions in the California Nonprofit Corporation Law shall govern the construction of these bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes the feminine and neuter, the singular includes the plural, the plural includes the singular, and the term "person" includes both a legal entity and a natural person.

10. AMENDMENTS

The board may not adopt, amend, or repeal these bylaws without the unanimous approval of the directors, a two-thirds (2/3) majority of the Board of Trustees of the Society, and a majority of the voting Members of the Society present at a properly noticed meeting of its Membership,

CERTIFICATE OF SECRETARY

I, the undersigned, certify that I am the Secretary of THE ENDOWMENT FUND OF THE UNITARIAN SOCIETY OF SANTA BARBARA, a California nonprofit religious corporation, and that the foregoing bylaws, consisting of (22) pages, constitute the bylaws of said Corporation as duly adopted on the date hereinafter set forth.

Executed on April 27, 1998, at Santa Barbara, California.

Harriet Miller,
Secretary