

THE AMERICAN LAW INSTITUTE

RULES OF THE COUNCIL

(as adopted in May 2007; last amended as of May 18, 2016)

RULE 1 – DELEGATION OF COUNCIL AUTHORITY

1.01 The Council may delegate its authority in all matters except those reserved to the Council by applicable law or by the Bylaws. Reference in these Rules to the “Council” does not indicate a reservation of the Council’s authority; rather, reservation is indicated in the Rules by reference to the matter being “only” for the Council or by a statement that the matter is “reserved to” the Council.

1.02 The Council delegates all of its delegable authority to the Executive Committee. Delegated authority may concurrently be exercised by the Council and by the Executive Committee, or also by any other committee to which the authority has been explicitly delegated. Reference in these Rules to a specific committee constitutes a delegation of authority to that committee. Delegation may also be achieved by Council adoption of the committee’s charter, or by Council resolution or other recorded action.

RULE 2 – INSTITUTE MEMBERSHIP

2.01 The membership of the Institute consists of four classes: elected members, ex-officio members, honorary members, and life members. The number of members, excluding life members, honorary members, and those ex-officio members who are not also elected members, may not exceed 3,000. Except as provided in paragraph B of Rule 2.03, membership in all classes is for the life of the individual, subject to transfer to another class, resignation, or termination in accord with the Bylaws or these Rules.

2.02 Elected Members

A. Applications for membership in the class of elected members are referred to the Membership Committee for consideration and action in accord with that Committee’s charter.

B. To become an elected member, a candidate must (1) be sponsored by an elected or life member; (2) demonstrate to the satisfaction of the Membership Committee that the candidate has attained a high level of achievement and recognition within the legal, judicial, law-academic, or other related profession; and (3) be elected by the Council or Executive Committee. A candidate also must have the support of two other elected or life members; however, the Membership Committee may modify or waive this requirement for a specific candidate in exceptional circumstances. (Sponsoring and supporting statements must be submitted in writing, which may be transmitted by postal mail, facsimile, electronic mail, or other means.) The Council may impose additional qualifications for election to membership.

C. An elected member who in any year pays double the current applicable dues stated in Rule 3.01 or 3.02 is a sustaining member for that year.

2.03 Ex-Officio Members

A. The following are ex-officio members for their life: the Chief Justice of the United States and the Associate Justices of the Supreme Court of the United States, and those persons who as Chief Judges of the United States Courts of Appeals became members for life under the pre-1994 Council Rules.

B. The following are ex-officio members only while they hold the specified office or position:

1. the chief judge of the highest court of each State, of the District of Columbia, and of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, and the Northern Mariana Islands;
2. the Chief Judges of the United States Courts of Appeals;
3. the Attorney General and the Solicitor General of the United States;
4. the Presidents of the National Conference of Commissioners on Uniform State Laws, the American, National, and Federal Bar Associations, and the Bar Association of each State and of the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, and the Northern Mariana Islands; and
5. the dean of each law school that is a member of the Association of American Law Schools and the President of that Association.

C. Except for those who are also elected members, ex-officio members need not conform to the dues or participation obligations stated in Rule 4.01A. An ex-officio member who in any year pays the dues that would apply under Rule 3.01 or 3.02 if he or she were an elected member is a sustaining member for that year.

D. Any person who is entitled to ex-officio membership under this Rule 2.03 may decline such membership.

2.04 Honorary Members

A. The Council may designate any person, with his or her consent, an honorary member.

B. Honorary members need not conform to the dues or participation obligations stated in Rule 4.01A. An honorary member who in any year pays the dues that would apply under Rule 3.01 or 3.02 if he or she were an elected member is a sustaining member for that year.

2.05 Life Members

A. The Membership Committee may designate any member of 25 years' standing a life member.

B. Life members possess all the rights and privileges of elected members but need not conform to the dues or participation obligations stated in Rule 4.01A. A life member who in any year pays the current dues that would apply under Rule 3.01 or 3.02 if he or she were not a life member is a sustaining member for that year.

RULE 3 – DUES

3.01 Unless Rule 3.02 applies, the annual dues for elected members are \$250.

3.02 The annual dues for elected members whose primary professional affiliation comes within one of the categories listed below are \$125:

- A. teacher or other employee of an educational institution;
- B. judge of a court of record;
- C. official or employee of the United States or any of its instrumentalities, territories, or possessions; or official or employee of the government or any political subdivision or instrumentality of any State, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, or the Northern Mariana Islands; and
- D. employee of an eleemosynary or other nonprofit organization.

3.03 Annual dues are payable within 30 days of July 1 each year for the 12-month period beginning that July 1 through the following June 30. The Membership Committee may waive dues in whole or in part for any member in accord with criteria established by the Membership Committee.

RULE 4 – OBLIGATIONS OF INSTITUTE MEMBERS

4.01 A. Elected members are obligated to pay annual dues as provided in Rule 3 and to participate in the work of the Institute in some significant way as provided in Rule 4.02.

B. All members are expected to exercise independent judgment as provided in Rule 4.03.

4.02 Membership participation sufficient to satisfy Rule 4.01 includes, but is not limited to, the following activities:

- A. attending an annual meeting of the Institute's membership;
- B. serving as an appointed reporter, adviser, or consultant on an Institute project or as a member of a standing, special, or other committee of the Institute;
- C. serving as an Institute appointee on the Permanent Editorial Board for the Uniform Commercial Code;
- D. participating in a members consultative group meeting on an Institute project;
- E. participating in an invitational conference sponsored by the Institute;
- F. submitting comments on an Institute project draft;
- G. delivering invited remarks to an annual meeting of the membership or other Institute event;
- H. authoring an article for an Institute publication; and

I. planning, teaching, or preparing materials for a course, publication, or other program of ALI CLE.

4.03 To maintain the Institute's reputation for thoughtful, disinterested analysis of legal issues, members are expected to leave client interests at the door. In communications made within the framework of Institute proceedings, members should speak, write, and vote on the basis of their personal and professional convictions and experience without regard to client interests or self-interest. It is improper for a member to represent a client in Institute proceedings and such conduct constitutes good cause for termination of Institute membership under Rule 5.02. If, in the consideration of Institute work, a member's statements can be properly assessed only if the client interests of the member or the member's firm are known, the member should make appropriate disclosure, but need not identify clients.

RULE 5 – RESIGNATION, TERMINATION, AND REINSTATEMENT OF MEMBERSHIP

5.01 Nonpayment of required dues constitutes good cause for termination of membership. The Membership Committee may terminate any membership for such nonpayment, may accept a resignation from any member, and may reinstate to membership anyone whose membership had been terminated for nonpayment of dues, or who had resigned, but only upon the person's request and upon payment of any past dues owed unless the payment is waived under Rule 3.03.

5.02 Only the Council may terminate a membership for other good cause, including but not limited to failure to participate in the work of the Institute, as required in Rule 4.01A, for three consecutive years, and violation of Rule 4.03. Good cause for termination is determined only by the Council. Before terminating a membership, the Council should receive a referral of, or recommendation on, the proposed termination from the Membership Committee, and must provide the member with written notice of the matter, an opportunity to receive a written statement of reasons for the proposed termination, and an opportunity to submit a written statement to the Council explaining why the membership should not be terminated.

RULE 6 – COUNCIL MEMBERS AND COUNCIL MEMBERS EMERITUS

6.01 Members of the Council are obligated to participate in the business of the Council and, with reasonable regularity, to attend and participate in its meetings and in meetings of any committee or any project advisers group to which the Council member has been appointed. Any Council member who, without good reason, fails to do so is expected to tender his or her resignation or, if qualified, may be transferred to emeritus status under Rule 6.03.

6.02 Members of the Council and Council members emeritus may attend advisers and members consultative group meetings on Institute projects.

6.03 Upon the request or with the consent of the member, the Council may transfer to emeritus status any Council member who has:

A. attained 70 years of age; or

- B. served on the Council the maximum number of consecutive terms or years under Bylaw 4.05, 4.06, or 4.07; or
- C. served on the Council at least 10 consecutive years.

6.04 Council members emeritus are relieved of the obligations of Council members, including those stated in Rule 6.01. They are encouraged to attend and participate in meetings and other activities of the Council but may not vote. To encourage Council members emeritus to participate in Council activities, upon their request, they are entitled to reimbursement of expenses to the same extent as Council members who so participate.

6.05 Reimbursement of Expenses

A. Except as provided in paragraph B of this Rule 6.05, Council members and Council members emeritus are entitled to reimbursement for the actual and reasonable cost of transportation, meals, lodging, and other expenses incident to attending a meeting of the Council and of advisers and committees to which they have been appointed or are requested to serve temporarily by the President or Director.

B. Council members and Council members emeritus are not entitled to reimbursement of expenses incurred to attend a Council or committee meeting that is held in the same city as the annual meeting of the Institute's membership and on the same day as a session of the annual meeting. However, if the Council or committee meeting is held in the annual meeting city on a day immediately before the annual meeting begins or after it ends, they are entitled to reimbursement for expenses of meals and lodging incurred in order to be present at the Council or committee meeting, but not for transportation expenses to or from the annual meeting city.

C. The Council, Executive Committee, President, or Director may authorize a Council member or other person to attend an activity of the Council or the Institute at the expense of the Institute with reimbursement made in accord with the provisions of paragraph A of this Rule 6.05.

RULE 7 – COMMITTEES

7.01 Standing Committees

A. The standing committees of the Institute are eleven: Executive, Audit, Awards, CLE Program and Marketing, Development, Governance, Investment, Membership, Nominating, and Projects. The charter for each committee sets forth its composition, authority, and responsibilities.

B. The Executive Committee includes the President, First Vice President, Second Vice President, Secretary, Treasurer, Chair of the Council (if any), and President Designate (if any). In addition, the Executive Committee includes up to eight non-officer members of the Council, as nominated by the Nominating Committee and appointed by the Council. The Executive Committee should not have fewer than eleven members and may not have

more than fourteen members. The Executive Committee's primary responsibility, under the broad delegation of Council authority under Rule 1.02, is to oversee the management of the business and affairs of the Institute. For the purpose of receiving reports from other committees, the Executive Committee may meet simultaneously with the Council.

7.02 Special and Ad Hoc Committees

To give advice on any matter, the Council or Executive Committee may appoint special committees and the Council, Executive Committee, Director, or President may appoint ad hoc committees. In each such case, the appointing authority should define the purpose and duties of the committee. Committees appointed under this Rule 7.02 are intended to be temporary and ordinarily should not continue longer than three years.

7.03 Terms of Standing Committee Members

A. The term of appointed members of standing committees is three years. All terms begin and end at the close of an annual meeting of the membership. Except as provided in Rule 7.04 or in paragraph B, C, or D of this Rule 7.03, standing committee members may serve no more than two consecutive terms.

B. At the end of the second consecutive term an appointed member or chair of a standing committee is eligible for reappointment for two years only as chair, unless that person previously served more than one term as chair.

C. In extraordinary circumstances, at the request of the President, the Council may grant a one-time extension to allow an appointed chair of a standing committee to serve beyond the term limits under paragraphs A and B of this Rule 7.03.

D. Regardless of the number of years or terms that a standing committee member who, at the time this Rule 7.03 is adopted by the Council, had already served on the committee, that member may be eligible for reappointment to the committee as provided in the applicable transition rule approved by the Council on December 7, 2006.

E. A committee member who becomes ineligible for reappointment to the committee under paragraph A, B, C, or D of this Rule 7.03 may be reappointed to the committee after two years have elapsed.

7.04 Ex-Officio Committee Members

Officers serve as members of a standing committee by virtue of the office held only if and as specified in the committee charter. Other officers are eligible for appointment as regular members of the committee only in accord with the committee charter and Rule 7.03. All officers serving on a committee, whether by virtue of the office or by appointment, are voting members and count toward any limit on the total number of committee members.

RULE 8 – OFFICERS

8.01 The officers of the Institute are at least these seven: President, First Vice President, Second Vice President, Secretary, Treasurer, Director, and Deputy Director. The Council may designate up to four additional officers: Chair of the Council, President Designate, Assistant Secretary, and Assistant Treasurer. Officers have the authority and duties set forth by the Council by Rule, resolution, or other recorded action. No two offices may be held by the same person. No officer other than the Director and Deputy Director may receive compensation for service to the Institute.

8.02 The offices of President, First Vice President, Second Vice President, Secretary, and Treasurer, and, if the Council so designates, Chair of the Council, President Designate, Assistant Secretary, and Assistant Treasurer, are filled by election of the Council upon nomination of the Nominating Committee. Except as provided in Rule 8.03, the term of office is three years beginning at the close of one annual meeting of the Institute’s membership and concluding at the close of the annual meeting three years later, or until a successor is elected. A person is eligible to serve no more than three terms in any office, except as provided in Rule 8.05A and 8.05C.

8.03 Notwithstanding Rule 8.02, a person holding the office of President, First Vice President, Second Vice President, Secretary, Treasurer, or Chair of the Council at the time this Rule 8 is adopted is eligible for reelection or reappointment to the same position as provided in the applicable transition rule approved by the Council on December 7, 2006.

8.04 All officers except the Director and Deputy Director must be members of the Council.

8.05 A. Only the immediate past president may be appointed to serve as Chair of the Council, and, if such appointment is made, the Council must at the same time set the term not to exceed three years. A person may serve no more than one term as Chair of the Council.

B. The Chair of the Council, if any, chairs the Council and performs such other duties as the Council, Executive Committee, or President may assign.

C. If a President Designate is appointed, the Council must at the same time set the term not to exceed three years. A person may serve no more than one term as President Designate.

D. The President Designate, if any, works with the President to ensure a smooth transition of office, automatically becomes President in the event of a vacancy in that office, and performs such other duties as the Council, Executive Committee, or President may assign.

8.06 A. The President is the chief executive officer of the Institute and exercises general supervision of the Institute’s program, business, and affairs, subject to the direction, approval, or policies of the Council or Executive Committee. The President is responsible for seeing that the membership receives a report, at least annually, on the Institute’s projects and on any significant actions taken by the Council or Executive Committee.

B. The President (1) chairs the Council unless a Chair of the Council has been appointed; (2) chairs the Executive Committee; (3) presides at any meeting of the Institute's membership called under Bylaw 3.01; (4) serves as an adviser on all projects of the Institute; and (5) serves as a member of all standing committees except the Audit Committee, and of all special and ad hoc committees. The President performs such other duties as the Council or Executive Committee may assign.

8.07 The Vice Presidents act as advisers to the President. The First or Second Vice President, designated in that order unless otherwise determined by the Council, performs the duties of the President in the event of the President's absence or incapacitation until the President is able to resume those duties, and, unless a President Designate has been appointed, acts as President in the event of a vacancy in that office until the vacancy is filled. The Vice Presidents perform such other duties as the Council, Executive Committee, or President may assign.

8.08 A. The Treasurer oversees (1) the process by which the Institute's funds and other assets are received, held, and disbursed; (2) the custody of the Institute's financial records; (3) the collection of membership dues; and (4) the institution and maintenance of proper accounting procedures.

B. The Treasurer, in consultation with management, is also responsible for the short-term investment of any Institute funds that, for one of the following reasons, are not under the jurisdiction of the Investment Committee for investment purposes: (1) As a matter of prudence or necessity, the funds must be readily available for operational needs or capital improvements. (2) The investment of the funds is under a special restriction agreed to by the Council, Executive Committee, or President.

C. The Treasurer must report (1) at least semi-annually to the Investment Committee and annually to the Executive Committee on any funds in short-term investments; (2) at least semi-annually to the Executive Committee and annually to the Council and the Institute's membership, on the financial condition of the Institute; and (3) otherwise as requested by the Council, Executive Committee, or President.

D. The Treasurer (1) serves as a member of the Investment Committee; and (2) may not serve as a member of the Audit Committee. The Treasurer performs such other duties as the Council, Executive Committee, or President may assign.

8.09 The Secretary oversees (1) the preparation and retention of minutes of all Council and Executive Committee meetings and of the record of the proceedings of all meetings of the Institute's membership called under Bylaw 3.01; (2) the proper maintenance of the files and records of the Institute; and (3) the provision of all notices required under the Bylaws or these Rules or otherwise as required by the Council. The Secretary performs such other duties as the Council, Executive Committee, or President may assign.

8.10 A. After receiving the recommendation of the Executive Committee, the Council appoints a person to the office of Director for a fixed term set by the Council at the time

of appointment not to exceed three years. There is no limit to the number of terms the Director may serve in that office. The Director is employed by the Institute and must be a member of the Institute but may not be a member of the Council. The terms and conditions of the Director's employment are determined by the Council upon the recommendation of the Executive Committee, except that changes in compensation are decided by the Executive Committee. Compensation of the Director must be decided in accord with procedures adopted by the Executive Committee with regard to executive compensation.

B. The principal function of the Director is to direct the projects of the Institute, which includes but is not limited to: (1) developing projects and appointing, evaluating, and terminating project reporters, advisers, and other consultants; (2) reviewing and evaluating project drafts; and (3) reporting at least annually to the Council and to the Institute's membership on the progress of the work.

C. To the extent practicable the Director should attend (1) meetings of the Council, of the Executive Committee, and of other standing committees; (2) meetings of the Institute's membership; (3) meetings of special and ad hoc committees; (4) special conferences sponsored by the Institute; and (5) meetings of project reporters, advisers, liaisons, and members consultative groups. In the absence of the chair of the group that is meeting, or if the group has no chair, the Director should chair the meeting unless the President or Director designates another person to preside.

D. The Director is a member of the Permanent Editorial Board for the Uniform Commercial Code (serving as its chair on a rotating schedule). The Director performs such other duties as the Council, Executive Committee, or President may assign.

E. Except as provided in Rule 8.11A and in benefit plans applicable to Institute employees and retirees generally, the Director may employ and terminate members of the Institute's staff, define their duties, determine their compensation and other terms of employment, and supervise their performance.

8.11 A. After receiving the recommendation of the Director, the Executive Committee appoints a person to the office of Deputy Director for a fixed term set by the Executive Committee at the time of appointment not to exceed three years. There is no limit to the number of terms the Deputy Director may serve in that office. The Deputy Director is employed by the Institute and may be a member of the Institute but may not be a member of the Council. The terms and conditions of the Deputy Director's employment are determined by the Executive Committee upon the recommendation of the Director. Compensation of the Deputy Director must be decided in accord with procedures adopted by the Executive Committee with regard to executive compensation.

B. The Deputy Director performs any duties assigned by the Director and such additional duties as may be assigned by the Council, Executive Committee, or President.

C. After receiving the joint recommendation of the Director and Deputy Director, the Executive Committee appoints the Director of ALI CLE. The Director of ALI CLE is not an officer. The Director of ALI CLE is employed by the Institute and may be a member of the Institute but may not be a member of the Council. Compensation of the Director of ALI CLE must be decided in accord with procedures adopted by the Executive Committee with regard to executive compensation. The Director of ALI CLE performs any duties assigned by the Deputy Director.

8.12 Except as provided in Rule 12.02, the President, Treasurer, Assistant Treasurer, if any, Director, and Deputy Director each have the authority, with or without any other officer's signature as determined by the Executive Committee or as required by law, to sign on behalf of the Institute all contracts, deeds, and other instruments.

8.13 A. Any officer may resign from office by so notifying the President, except that the President notifies the Council or Executive Committee, and the Deputy Director notifies the Director or President.

B. Any officer may be removed from office with or without cause. The authority to remove officers is reserved to the Council, except that the Deputy Director may be removed by the Executive Committee.

8.14 A. A vacancy in any office other than that of Chair of the Council, Director, or Deputy Director may be filled only by the Council, upon nomination of the Nominating Committee, for a term that expires at the end of the annual meeting of the Institute's membership that occurs three years subsequent to the annual meeting in the calendar year in which the vacancy is filled.

B. If a vacancy occurs in the office of Chair of the Council, Director, or Deputy Director, Rules 8.05A, 8.10A, and 8.11A, respectively, determine how a new appointment is made.

C. In the event that the Director, Treasurer, or Secretary is absent or incapacitated or that the office becomes vacant, the Council or Executive Committee may designate a person to perform the duties of the office until such time as the officer resumes those duties or the vacancy is filled.

RULE 9 – COUNCIL AND ANNUAL MEETINGS

9.01 Council Meetings

A. A regular meeting of the Council is to be held during or close to the time of the annual meeting of the membership of the Institute.

B. At least one other regular meeting of the Council is to be held each year.

C. A special meeting of the Council may be called by the President with the approval of the Executive Committee, or by any 20 members of the Council, to be held at a time fixed by the President or Executive Committee.

D. The Council should meet in person at least once a year. To constitute an in-person meeting, a quorum (which is one-third of the Council members) must be physically present in the meeting room, although other members may participate by telephone or by any other means whereby all participants in the meeting are able to talk with each other.

E. Except as provided in Bylaw 4.02C, any action that may be taken at a meeting of the Council may be taken without a meeting in accord with Bylaw 4.13B. Once the Council has acted without a meeting, a summary of its votes is recorded with the Council minutes.

9.02 Annual Meetings of the Membership

A. The President, in consultation with the Director, sets the agenda for the annual meeting of the Institute's membership, including the time limits for each general subject, each issue, and each speaker. The President or other presiding officer may adjust the time limits during a particular session. Members may, before the meeting, submit any motions they intend to make as well as comments on issues they wish to raise at the meeting, especially with respect to items not scheduled for plenary consideration.

B. During plenary deliberations, members should not make stylistic suggestions from the floor, but should submit them before or after the meeting or session. A maker of a main motion may speak for not more than five minutes and the reporters may respond for not more than five minutes. All other members who are recognized to speak from the floor may speak for not more than three minutes. The reporter and the maker of a main motion may each speak for one minute in closing. Notwithstanding the time limits specified here, the session's presiding officer may allow more or less time than this Rule provides.

9.03 Rules of Procedure

Subject to the Bylaws and these Rules, the procedures for the conduct of meetings under this Rule 9 should be set by the President or other presiding officer in conformity with generally accepted standards for the conduct of similar meetings. In the event of a dispute over proper procedure, if neither the Bylaws nor these Rules resolve the matter, then the President or other presiding officer should resolve it in accord with the then-current edition of Robert's Rules of Order.

RULE 10 – REPORTERS, ADVISERS, CONSULTANTS, AND ASSISTANTS; MEMBERS CONSULTATIVE GROUPS

10.01 Each project of the Institute is ordinarily put in the charge of a reporter or reporters appointed by the Director with the approval of the Council or Executive Committee. The Director may authorize reporters to engage research or other assistants at the Institute's expense.

10.02 A. The Director may, with the approval of the Council or Executive Committee, appoint advisers or consultants to review a reporter's drafts, and may engage assistants to aid a reporter. Appointed advisers and consultants are expected to contribute to the project by participating in meetings of the project's advisers or consultants or, when appropriate, by submitting written comments on the meeting materials to the reporter or Director.

B. The term of each appointed adviser and consultant is three years or until the project terminates, whichever comes first; there is no limit on the number of terms each individual may serve. The term of each adviser and consultant appointed prior to the amendment of this Rule 10.02 on October 16, 2008, begins on that date. (The initial term of a new appointee may be set by the Director to be less than three years if necessary to have the terms of all the project's advisers or consultants terminate on the same date.) No Council or Executive Committee approval is required for the reappointment of an adviser or consultant by the Director. Any adviser or consultant may be removed by the Director with or without cause.

10.03 Any member of the Institute may join members consultative groups to review reporters' drafts of Institute projects. Meetings of these groups may be held at times and places designated by the Director.

RULE 11 – PUBLICATIONS

11.01 Publications of work of the Institute must be authorized in accord with Bylaw 6.

11.02 The general procedure for preparing and authorizing publications of work as representing the position of the Institute, including restatements or recommended revisions of the law in the name of the Institute, is as follows:

A. Material intended for publication must first be submitted to the Council, and by it to the Institute's membership at an annual meeting.

B. The Council may submit the material to the membership with or without the Council's approval, amendment, or recommendation.

C. The membership may approve, reject, or amend any matter submitted by the Council and may authorize the Council to make such changes as the Council deems appropriate.

D. The Council may make or authorize any final editorial or other revisions that it considers appropriate, and may determine the form, time, and manner of publication.

RULE 12 – FISCAL AFFAIRS

12.01 The Institute's fiscal year begins on July 1 and ends on the following June 30.

12.02 Checks drawn on the Institute’s bank accounts must be signed or countersigned as provided by resolution of the Council or Executive Committee with respect to the several accounts.

12.03 The Institute shall carry insurance against loss as a result of the conduct of officers and employees having custody of or responsibility for funds and securities.

12.04 The Director prepares and submits to the Executive Committee, for its approval, an annual budget covering all projected Institute revenues and proposed Institute expenditures for the following fiscal year. The Institute budget includes a budget for ALI CLE prepared by the Director of ALI CLE. Expenditures not within the approved annual budget may be approved in advance of the expenditure or ratified later by the Executive Committee or Council.

RULE 13 – INDEMNIFICATION

13.01 In this Rule 13:

A. “Indemnifiable Person” means any person (and that person’s heirs, executors, guardians, administrators, assigns, or other legal representatives) who was, is, or is threatened to be made a defendant or respondent in any Proceeding by reason of the fact that the person is or was either (1) a Council member, committee member, or officer of the Institute; (2) an employee, volunteer, or agent of the Institute whom the Executive Committee determines in a particular case should be treated as an Indemnifiable Person; or (3) while any of the foregoing persons is or was serving, at the request of the Institute, in any other organization.

B. “Proceeding” means any threatened, pending, or completed action, suit, proceeding, or inquiry, or part thereof, including appeals, whether civil, criminal, administrative, or investigative.

13.02 Except as provided in Rule 13.03, the Institute shall indemnify any Indemnifiable Person for and against all judgments, reasonable amounts paid in settlement, fines, penalties, excise and other taxes, and reasonable expenses (including reasonable attorneys’ fees) incurred in connection with a Proceeding.

13.03 The Institute may not:

A. Indemnify any Indemnifiable Person unless a determination has been made that such person (1) acted in good faith; (2) reasonably believed, in the case of conduct in an official capacity, that the conduct was in the best interests of the Institute and, in all other cases, that the conduct was at least not opposed to the best interests of the Institute; and (3) in the case of any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

B. Indemnify any Indemnifiable Person in connection with a Proceeding initiated by that Indemnifiable Person unless the Proceeding was authorized by the Executive Committee.

C. Indemnify any Indemnifiable Person in connection with a Proceeding by or in the right of the Institute, except for reasonable expenses incurred in connection with the Proceeding if it is determined that the Indemnifiable Person met the standard of conduct set forth in paragraph A of this Rule 13.03.

D. Indemnify any Indemnifiable Person in connection with a Proceeding involving conduct for which such person was adjudged liable for receiving a financial benefit to which he or she was not entitled, regardless of whether it involved action in an official capacity.

13.04 Prior to the final disposition of a Proceeding, the Institute shall advance funds to pay for or reimburse the reasonable expenses of an Indemnifiable Person upon delivery to the Institute of (A) a written undertaking by the Indemnifiable Person to repay all amounts so advanced if such person is not entitled to mandatory indemnification under the law and it is ultimately determined that such person has not met the relevant standard of conduct described in Rule 13.03A, and (B) a written affirmation of the Indemnifiable Person's good faith belief that he or she has met the relevant standard of conduct described in Rule 13.03A or that the Proceeding involves conduct for which liability has been eliminated under the law.

13.05 The Institute may maintain insurance covering any Indemnifiable Person or any other person against any liability, expense, or loss, whether or not the Institute would be authorized to indemnify the person against that liability, expense, or loss.

13.06 Indemnification pursuant to this Rule 13 is not exclusive or in limitation of any rights to which any Indemnifiable Person may be entitled by contract or by operation of law or otherwise.

13.07 This Rule 13 applies to all acts and omissions by an Indemnifiable Person both before and after the adoption of this Rule 13.