



NASCO Properties

Standing Rules of the Organization

Policies of the organization through July 2015



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Chapter 1: Organization and Governance

1.1 RELATIONSHIPS OF THE ORGANIZATIONS

1.11 The Goderich Accord (12/10/89) (note: the numbering for this section differs from the other Standing Rules because it is common to three organizations and was formulated this way at the time of passage.)

A. The CCDC shall serve as a funding agent, and CCDC board shall decide who to approach for financing/purchasing assistance. NASCO Properties shall be one of the avenues considered by CCDC for its projects, but other ownership possibilities may be recommended by the CCDC Board. NASCO shall serve as the educational and technical assistance organization, under contract with CCDC.

B. A project might go through the following steps:

1. CCDC board considers project proposal, determines best method to finance property. (In this case, the board chooses NASCO Properties as owner, with financing from NCB, Kagawa Fund, and student co-ops.)
2. The NASCO staff, working under the CCDC contract, locate suitable property, aid co-op with incorporation, help with organizational set-up, etc.
3. When a suitable property is located, the NASCO Properties board of directors votes on whether to buy the property, and develops a management agreement.
4. Under management agreement, NASCO serves as NASCO Properties agent for implementing the agreement.

Under this scenario, the CCDC board is responsible only for determining whether the project is feasible, and providing financing opportunities. All loans given, even if to NASCO Properties, would be solicited as part of CCDC services (performed by NASCO staff). If the NASCO Properties deal fell through, the CCDC board would reevaluate the project and develop a new strategy for completion.

1.2 WORKING VISION STATEMENT (7/8/00)

1.2.1. The mission of NP is to increase the opportunities available for cooperative living throughout North America. This is primarily accomplished by the ownership of properties suitable for use by local cooperative organizations. NP will continue to expand both in order to increase the number of buildings available for use as cooperatives, and in order to assure the long term stability of the organization. NP will serve as a permanent guardian of cooperative housing stock, and as a source for guidance in development of local cooperative organizations (member cooperatives) which lease NP buildings.

1.2.2. NP allows smaller local cooperatives to fulfill the cooperative goal of ownership through several mechanisms:

1.2.2.1 First, NP is governed by a board of directors that shall be at least 51% composed of representatives from leasing cooperative organizations. This allows members of leasing cooperatives to exert control over the decisions of NP relating to its holdings.

1.2.2.2. Second, NP allows leasing cooperatives to develop local governance of cooperative life, without interference from university or profit driven real estate interests.

1.2.2.3. Third, NP allows leasing cooperative members to participate in the aspects of ownership that involve responsibility and service while de-emphasizing the interpretation of ownership that involves contribution of capital. (This is intended to allow cooperative development among a group where capital is scarce but leadership is abundant.)

1.2.2.4. Fourth, NP shall maintain the physical stability and value of its holdings through management of maintenance funds, thus ensuring the continued and durable availability of buildings for use by local cooperatives.

1.2.3. NP shall be governed according to a principle of service to the leasing cooperatives as follows:

1.2.3.1. NP shall seek no profit from the lease arrangements with local cooperative organizations.

1.2.3.2. NP shall always attempt to operate with thriftiness and savings that can be passed on to leasing cooperatives, and reduce financial strains on their individual members.

1.2.3.3. NP shall maintain personnel with sufficient resources and expertise to guide leasing cooperatives with their development and education needs. Increase in revenue for the purpose of retaining expert staff shall come primarily through the expansion of NP holdings rather than by increasing average room rates at member cooperatives.

1.2.3.4. NP is an organization committed to expansion of holdings for the use both of existing member cooperatives and of new member cooperatives. This expansion shall be funded primarily by the use of the accumulated equity of NP holdings rather than by increasing average room rates at member cooperatives.

1.2.4. Member cooperatives shall have an understanding of their role in NP as partners committed to the common good of all NP leasing cooperatives. Member cooperatives shall have a goal of mutual aid and undertake partial responsibility for the management and expansion of NP. Leasing of NP buildings is required for membership in NP.

1.3 BOARD OF DIRECTORS

1.3.1 Board members

1.3.1.1 **Certification of new board members** (11/08). Replacement NP Board Representatives will be certified by the outgoing NP board representative from their respective organization. In lieu of this, the secretary from the corresponding organization will certify the incoming NP Board Representative. The certification must be either written on paper or sent via e-mail. New NP board representatives should submit a written letter of introduction, to be included in the NP Board packet. NASCO Properties staff and board shall provide orienting materials to the new board member, and shall provide the new board member with a list of all required information that the new board member must provide to the board.

1.3.1.2 **Resignation of Board Members** (11/08). Any Board Member wishing to resign from the Board may do so by submitting resignation in writing to the Board of Directors either by email or by paper letter of resignation. Resignations will be accepted immediately, and the Secretary of the Board will ensure that the body represented by the resigning Board Member and the remaining board members are aware of the

resignation as soon as possible.

1.3.1.3. **Composition of the board.** [See by-laws]

1.3.1.4. **Community representatives.** (11/08) NASCO Properties may request one or more community members serve on its board, for one year renewable terms, as long as standing rule 1.2.2.1 is not violated.

1.3.1.5 **Conflicts of Interest** (8/13) As a general rule, Board members contribute their labor to the Board and should expect no material benefit, directly or indirectly, for themselves or for members of their family, in return for their service. Under no circumstances may a Board member simultaneously serve on staff. However, in limited circumstances, the Board, on the recommendation of the NP General Manager, may approve a contract or agreement with a Board member, or an entity in which a board member holds an ownership or investment interest, in order to perform services deemed necessary to furthering the mission of NASCO Properties. NASCO Properties will only approve such agreements provided that:

1.3.1.5.1. The director or committee member has disclosed the material facts of any actual or perceived conflict of interest related to the proposed transaction or agreement to the rest of the board or committee. At the start of each board or committee meeting, directors will review the agenda and disclose any agenda items where they have a conflict of interest.

1.3.1.5.2. The board or committee has reviewed and discussed the material facts with the director or committee member, and has then asked this person to leave the meeting to allow the remaining members to vote on the agreement. The chair of the board or committee shall if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

1.3.1.5.3. The Board determines that NASCO Properties is entering into the agreement for its own benefit.

1.3.1.5.4. The agreement is fair and reasonable (i.e., the Board would offer similar terms to someone who is not a board member).

1.3.1.5.5. The Board approves the contract without counting the vote of the interested director, and with knowledge of the material interest. e.g. how much money is paid.

1.3.1.5.6. Prior to approval, the Board determines that NASCO Properties could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

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

1.3.1.5.8. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

1.3.1.5.9. The minutes of the board and all committee with board-delegated powers shall contain:

1.3.1.5.9.1 the names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of

the financial interest, any action taken to determine whether a conflict of interest was present, and the board's or committee's decision as to whether a conflict of interest in fact existed; and

1.3.1.5.9.2. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

1.3.1.6 Whistleblower Protection (8/13) This Whistleblower Protection Policy applies to all of the NASCO staff, whether full-time, part-time, or temporary employees, to all NASCO and NASCO Properties volunteers, to all who provide contract services for NASCO Properties, and to all officers and directors of the NASCO Properties board, each of whom shall be entitled to protection.

1.3.1.6.1 Reporting Credible Information. A protected person shall be encouraged to report information relating to illegal practices or violations of policies of the Organization (a "Violation") that such person in good faith has reasonable cause to believe is credible. Information shall be reported to the NASCO Properties Board President unless the report relates to the President, in which case the report shall be made to the NASCO Properties Executive Committee, excluding the President, which shall be responsible to provide an alternative procedure.

1.3.1.6.2 Anyone reporting a Violation must act in good faith, and have reasonable grounds for believing that the information shared in the report indicates that a Violation has occurred.

1.3.1.6.3 Investigating Information. The Board President shall promptly investigate each such report and prepare a written report to the NP Board of Directors and the NASCO Staff Collective. In connection with such investigation all persons entitled to protection shall provide the President with credible information. All actions of the President in receiving and investigating the report and additional information shall endeavor to protect the confidentiality of all persons entitled to protection.

1.3.1.6.4 Confidentiality. The Organization encourages anyone reporting a Violation to identify themselves when making a report in order to facilitate the investigation of the Violation. However, reports may be submitted anonymously in writing, whether by an anonymous email or an unsigned written letter. Reports of Violations or suspected Violations will be kept confidential to the extent possible, with the understanding that confidentiality may not be maintained where identification is required by law or in order to enable the Organization or law enforcement to conduct an adequate investigation.

1.3.1.6.5 Protection from Retaliation. No person entitled to protection shall be subjected to retaliation, intimidation, harassment, or other adverse action for reporting information in accordance with this Policy. Any person entitled to protection who believes that they are the subject of any form of retaliation for such participation should immediately report the same as a violation of and in accordance with this Policy. Any individual within the Organization who retaliates against another individual who has reported a Violation in good faith or who, in good faith, has cooperated in the investigation of a Violation is subject to discipline, including a recommendation for termination of employment or volunteer status.

1.3.1.6.6. Dissemination and Implementation of Policy. This Policy shall be disseminated in writing to all affected constituencies. The Organization shall adopt procedures for implementation of this Policy, which may include:

- documenting reported Violations;
- working with legal counsel to decide whether the reported Violation requires review by the Compliance Officer or should be directed to another person or department;
- keeping the board of directors [and the audit committee or other applicable committee] informed of the progress of the investigation;
- interviewing employees;

- requesting and reviewing relevant documents, and/or requesting that an auditor or counsel investigate the complaint; and
- preparing a written record of the reported violation and its disposition, to be retained for a specified period of time.

1.3.1.6.7 The procedures for implementation of this Policy shall include a process for communicating with a complainant about the status of the complaint, to the extent that the complainant's identity is disclosed, and to the extent consistent with any privacy or confidentiality limitations. This process will follow the procedures for disclosure and confidentiality laid out in the NASCO Staff policies for the investigation of grievances.

1.3.2 Associated cooperatives. Cooperatives approved by the Board for a future leasing relationship with NASCO Properties shall be considered Associated Co-ops of NASCO Properties, with the following rights and responsibilities:

1.3.2.1. NP staff shall seek to purchase property for the group when possible;

1.3.2.2. NP staff shall assist the group with operational problems so that they are fully prepared to manage property when purchased;

1.3.2.3. The Associated Co-op shall be represented informally on the Board of Directors of NASCO Properties by an "Associate Board Member" to be selected by the group. This person shall not be a member of the board as defined by the by-laws and will not have voting rights. The regularly constituted board agrees to extend all rights of full participation except for voting, however, and shall include the Associate Board Member in all board mailings and conference calls.

1.3.2.4. (11/08) NASCO Properties shall not be required to pay expenses for board meeting attendance or pay for NASCO Institute travel or registration until such time as an Associated Co-op becomes a Leasing Co-op.

1.3.2.5. There shall be a memorandum of understanding between NP and the potential member about their commitment to NP model of cooperative ownership.

1.3.3 Committees

1.3.3.1 Finance Committee. (11/08) The NP Executive committee shall engage in discussion on the next year's budget prior to approval by the full board, and in this context serve as the Finance Committee, which shall review budgets prior to presentation to the board. They shall report to the board on any problems that they discover and make or review proposals on financial matters as appropriate.

1.3.3.2 Financial Coordinating Committee. (11/08) Pending approval by other NASCO family boards, the NP board will appoint the NP treasurer to serve on a Financial Coordinating Committee with the treasurers of the other NASCO family boards, in order to promote communication during the financial planning process and to find budget proposals which most closely meet the needs of all NASCO organizations.

1.3.4. Meetings

1.3.5 Meeting process

1.3.5.1a. In the absence of adopted procedures, meetings of the Board or of committees of the Board shall follow "Robert's Rules of Order, Newly Revised."

1.3.5.1b (11/08) At the start of each meeting of the board, the president shall state the facilitation procedures to be used for the meeting, and allow for comment before the agenda is considered

1.3.5.2. (3/14) Quorum shall consist of more than 1/2 of the all seated members of boards and committees. Ex-officio and non-voting board officers are not considered seated board members for the purposes of any quorum requirement

1.3.5.3. Motions before the Board shall be carried by simple majority vote of those present, except as otherwise specified.

1.3.5.4. Motions before committee of the Board shall require the number of votes equal to that committee's quorum in order to pass. (I.e., if quorum is two-thirds, and only two-thirds of the committee is present to vote, all votes must be in the affirmative. If the entire committee is present, only two-thirds of the votes must be in the affirmative.)

1.3.5.5. (11/08, 6/10) Motions before the board which the board is deciding electronically and in writing shall have a stated time frame of no less than 5 business days for the count of the votes included as a part of the motion, and all persons voting shall be able to communicate equally with all other persons voting, unless stated otherwise. Quorum shall consist of the entire board or committee which is considering the motion. Non-responding board members are considered to be absent from the vote, and count against quorum. Board members who explicitly respond with an abstention do not count for or against the motion, but do count towards quorum. All votes shall be approved by simple majority.

1.3.5.6. (11/08) Motions before the board which the board is deciding electronically and by voice shall be made in such a way that all persons voting will be able to communicate both ways with all other persons voting.

1.3.5.7. (11/08) Motions related to changes in the quorum shall require a quorum of 75% in order to be considered, but will pass by a simple majority of that quorum

1.3.5.8. (08/11) Motions related to the amendment of the Articles of Incorporation or Bylaws and the purchase or sale of real estate shall require a quorum of 75% in order to be considered.

1.4 DOCUMENTS OF THE ORGANIZATION

1.4.1 Board packets (11/99, 3/02, 11/08). All Board packets shall be made available to Board members at least one week prior to the Board meeting, and copies shall be brought to the board meeting upon the request of Directors.

1.4.2 Care of documents (7/00, 3/03) Secretary shall be responsible for maintaining articles, bylaws, standing rules, and mission/vision/identity statements, etc.

1.4.3 Regular review (3/03, 11/08) The board and secretary shall review the articles, bylaws, standing rules, and mission/vision/identity statements, etc. and suggest changes at each board meeting as appropriate. The staff shall be responsible for recording changes to these documents and for making these documents available at meetings.

1.4.4 Authorized signatory powers (7/15) The secretary of the board is an authorized signer for agreements



authorized by the board on behalf of the organization. The position of Secretary is filled ex officio by the NASCO Properties General Manager, and is a non-voting board position.

1.4.5 Document Retention (8/13) The NP Secretary shall maintain internal documents according to the following schedule:

1.4.5.1 Permanent Retention: Annual audits or Financial Reviews, records of cash disbursements or receipts, depreciation records, internal financial statements (eg. Profit and Loss, Balance Sheet, or Variance Statements), General Journal entries, inventory lists, annual Corporate Filings, Board Governing Documents (eg. Bylaws, Articles, and Standing Rules, IRS Determination letter), Board and Committee Minutes, Insurance Records, Annual Budgets, and Tax Filings

1.4.5.2 Ten Year Retention: Contracts, files related to litigation

1.4.5.3 Seven Year Retention: Bank statements and account reconciliations, cancelled checks, insurance claims or accident reports, government reports

1.4.5.4 Four Year Retention: Accounts Receivable and Accounts Payable Reports, Bank Deposit Records, Check Documentation, Contractor Tax Forms (eg. Form 1099), Invoices

1.5 DEMOCRATIC CONTROL

NASCO Properties intends to create and maintain a mutually beneficial and mutually agreeable relationship with NASCO. NASCO Properties shall seek to give the members of NP co-ops democratic control of the NP board and bylaws, if and when NP's tax status allows such control. In general terms, NP's bylaws should be changed to provide the following:

1.5.1. **Democratic control of representatives** - Each NP co-op organization may select its own representative to the NP board, and retains the ultimate ability to remove that representative. Each NP co-op organization may choose its own method for selecting and removing representatives, as long as that method is consistent with the principle of one vote per member.

1.6 REPRESENTATION

1.6.1 Representative to NASCO board. The NP representative shall be selected annually at the fall meeting of the NASCO Properties board. The person so named must be a member of the NASCO Properties board. (7/02)

1.7 REGISTERED AGENTS

The following shall be the Registered Agents for NASCO Properties:

Jim Jones, State of Michigan
David Thompson, State of California
Micheal Burton, State of Illinois (11/08)
Mary Ann McClure, State of Ohio
Howard Lenette, State of Texas (3/03)
(No one necessary in State of New York)

The Executive Committee shall be delegated authority over all future appointments of resident agents.

1.8 PLANNING

1.8.1 Plan for Inclusion. The Board will adopt and annually review a NASCO Properties Plan for Inclusion. The plan will include goals and timetables for NASCO Properties to be more inclusive of persons of color, non-students and other groups. The Vice President will be primarily responsible for seeing that resources and staff time are sufficiently dedicated to implement the NASCO Properties Plan for Inclusion, and members of NP co-ops will be provided with the Vice President's contact information so they can communicate issues pertaining to non-students, people of color, and other groups. (7/03)

1.9 Staff Liaisons (8/13) The NASCO Family of Organizations share a Collective Staff for their programmatic and administrative functions. The NASCO Staff Collective makes decisions by consensus and has no single "boss" who makes decisions for other staff members. In order to facilitate clear communication between board and staff, the following policies are recommended.

1.9.1. The NP GM will have act as the staff liaison for the NP board. This staff person is responsible for (a) representing the opinions and needs of the staff to the board/committee, and (b) reporting board/committee activity and decisions to the Staff Collective.

1.9.2. The staff liaison cannot make agreements for the rest of the Collective without their consent. A staff liaison cannot represent the opinions of staff if there is not a consensus among staff. A staff liaison may speak for themselves and make agreements for themselves.

1.9.3. Staff members should be clear in communication with boards/committees when they are speaking for themselves and when they are speaking on behalf of the Collective as the staff liaison.

1.9.4. Whenever possible, Board/Committee chairs will notify the staff liaison at least 3 business days before a meeting and provide them with a preliminary agenda. Providing advance notice allows staff to organize the conference call line, ensure their own attendance at the meeting, solicit input from the whole Staff Collective, and prepare information or materials for the meeting.

1.9.5. If a board or committee member needs to communicate with all of the Staff directly, they should email staff@nasco.coop. For example, this may be needed when the NP GM is unavailable, when a matter is urgent, or when an issue clearly affects several staff members.

Chapter 2: Finance

2.1 Fiscal year (11/01) The fiscal year shall begin on May 1 and end on April 30 of each year, starting with May 1, 2002.

2.2 Corporate financial reporting

2.2.1 Type of reports (5/17-18/97, 2/01). The NP Board receive financial statements accompanied by reports run from the accounting software including balance sheet, profit and loss (general) and profit and loss (by property). A general ledger report should be brought to all board meetings. The board expects these financial statements quarterly.

2.2.2 Notes (11/6/92). Staff shall provide notes (i.e. a detailed cover letter) with any financial document presented to the board.

2.3 Reporting by cooperatives

2.3.1 Member Accounts Receivable Reports (November 12-13, 1994, 2/01, 11/08). If jointly-managed co-ops fail to make NP lease payments, they may be required to submit updated information regarding all charges to and payments on individual member receivable accounts to the NASCO Properties office twice per month. These reports are due at the NP office on the 10th and 25th day of each month.

2.4 Budgeting and allocation

2.4.1 Contribution to overhead (2/01). It shall be NP's goal to distribute overhead costs equitably among NP leasing co-ops. When possible, additional overhead shall be supported through expansion.

2.4.2 Reserve Funding Policies (11/99, 3/03)

2.4.2.1 Until board approved reserves are reached, any surpluses will be allocated to operating or replacement reserves.

2.4.2.2. Each leasing co-op shall provide funding each year for a specific Maintenance Reserve. The amount shall be based on a replacement study ("life-cycle study"), with a goal of minimizing the need to borrow for capital improvements. In no case shall the amount added to the reserve falls below 2% of annual revenues, as specified by lender agreements.

2.4.2.2.1. (4/12) NASCO Properties shall also maintain an Accessibility Reserve, funded out of the general operating budget. This reserve is to be used for improvements to the physical accessibility of NP properties. Any proposed accessibility improvement not consistent with the Americans with Disabilities Act Accessibility Guidelines (ADAAG) will require the approval of the NP board.

2.4.2.3. Each leasing co-op shall provide funding for an overall NASCO Properties Operating Reserve. The amount contributed shall be increased incrementally to achieve a debt service coverage ratio of 1.2 by the 2007-08 fiscal year. Exceptions or extensions may be approved by the Board during the annual budget process.

2.4.2.3.1. (11/08) The NP operating reserve shall be at least 25% of the annual operating budget and at most 50% of the annual operating budget

2.4.2.4. Use of reserves:

2.4.2.4.1. Corporate losses shall reduce the Operating Reserve.

2.4.2.4.2. Long-term receivables from the leasing co-ops shall reduce the Operating Reserve, and payments on these debts shall be made into the Reserve.

2.4.2.4.3. Any discretionary allocations exceeding \$5000 from the Operating or Maintenance Reserves shall be approved by the NASCO Properties Board of Directors. Non-discretionary expenses would include those issues which are mandated by legal authorities, lenders, or insurance providers, or those which directly impact health and safety or occupancy. (7/12)

2.4.2.5. Exceptions may be negotiated on a case by case basis with Master Lease co-ops.

2.4.3 Integrity of the Budget. Budget revisions shall not alter charges to leasing cooperatives during the term of the current fiscal year. (3/02)

2.4.4 Cost of loans prior to new budget period. If the Board determines that NP has to borrow money for maintenance on a house when it is not desirable to use maintenance reserves, NP will cover the costs until lease charges can be increased. (7/02)

2.4.5 Capital plans (2/01, 3/03). Capital repair and replacement plans shall be prepared by the General Manager with input from each jointly managed co-op. Capital plans should be requested from master lease co-ops.

2.4.6 Payment for local management (6/99, 3/03). As a course of action, when a jointly-managed co-op wants to hire its own management staff, NP staff will work with the house to determine by what amount NASCO Properties can afford to pay the leasing co-op for local management. This amount shall be budgeted as a management fee to the leasing co-op and shall be a part of the overhead budget.

2.4.7 Allowance for vacancies (3/98, 3/03, 6/10). The vacancy reserve collected by NP leasing coops will be set at 5% of gross lease charges. The leasing coop is free to collect a higher amount for vacancy reserves. Lower vacancy reserves must approved by the NP board.

2.4.8 Late Payment Fees (8/13). In order to maintain the integrity of the budget, there must be a timely payment of lease charges by all leasing cooperatives. NP also exists in order to support the stable operation of each of the individual cooperatives. Any coop that cannot make their lease payment by the due date must contact the NP GM ahead of the due date in order to explain the financial position of the leasing coop, and to give an idea of when the lease payment will be made. In the event that a leasing coop gives advance notice of an expected late payment, late fees may be waived. Any coop that neither pays by the due date nor gives notice of late payment will be charged a late fee as laid out in the NP Model Lease.

2.5 Mandated cooperative policies (2/01, 3/03)

These policies shall take effect if NASCO Properties is forced to assume the management functions of a jointly-managed co-op. These policies shall be enforced in accordance with state and local laws.

2.5.1 Member shares and security deposits. (3/02) Each leasing cooperative shall be required to hold security deposits or member shares in accordance with local and state laws.

2.6 ACCOUNTS AND MONEY MANAGEMENT.

2.6.1 Check signing (7/03, 11/08)

2.6.1.1. Allow the NASCO Properties and Development staff members to be a single signer on all checking and money market accounts.

2.6.1.2. The NASCO Executive Director and the Director of Education and Training at the Inter-Cooperative Council at the University of Michigan shall have emergency signing power.

2.6.1.3. Any maintenance checks or expenses for governance shall be approved by the NASCO staff member responsible for work with the property where the work was done or the meeting was held.

2.6.1.4. Checks for overhead expenses shall not be written out of NASCO Properties accounts.

2.6.1.5. (11/08) For all bank or credit union accounts, a board officer be allowed to look at the check images and cancelled checks periodically, to see that no unusual checks are being written

2.6.1.6. (11/08) A list of check shall be generated monthly and made available to the Treasurer.

2.7 EQUITY DEVELOPMENT AND USE

2.7.1 Equity from refinancing (7/01)

2.7.1.1. This entire plan is contingent upon NP obtaining 501(c)(3) status from the IRS; otherwise, NP is not allowed to maintain its own development fund accounts.

2.7.1.2. In the normal course of refinancing existing NP properties, the general manager shall determine whether a given property has enough equity to contribute to the national equity pool.

2.7.1.3. If this is the case, the amount of the new loan shall be as large as reasonably possible to best accomplish this goal. The amortization of the new loan shall be set to keep lease payments of the subject property approximately the same as they had been prior to the refinancing, notwithstanding any additional borrowing for capital improvement projects of the subject property which might be part of the original refinancing plan.

2.7.1.4. Exceptions can be made to the guidelines of point #2 in extenuating circumstances; for example, if the rents for the subject are relatively high compared to the local market, resulting in difficulties keeping the house full. In such cases, NP can consider the option of new loan and amortization combinations which could actually reduce the lease payments for the subject property.

2.7.1.5. When cash for the national equity pool is successfully drawn under the process of point #2, it shall be maintained in liquid, interest-bearing investment accounts as determined by the general manager. Interest earned in such account(s) shall remain part of the equity pool.

2.7.1.6. The primary purpose of the equity pool shall be a source of capital for new NP developments. The cash will serve as equity contributions for new development projects, helping to increase the possibilities of affordable co-op development projects in the future.

2.7.1.7. Under certain conditions, the equity pool may be available to finance projects at existing NP properties. For example, if an existing property needs capital for a major improvement project, and its own maintenance reserve has been depleted and it would not be practical to refinance that particular property to obtain the cash, the equity pool can serve as a source of capital. However, use of the fund in such cases will be considered a loan to the subject property, and it must repay the NP equity pool at a reasonable interest rate. (The rate shall be similar to what the co-op would be charged if its own property were refinanced to fund the improvement project.) No more than half the capital in the equity pool may be used for existing properties in this fashion.

Chapter 3: Management

3.1 TYPE OF MANAGEMENT

3.1.1 Jointly-Managed And Master-Lease Leasing Cooperatives (11/1/91, 2/01)

All Cooperatives leasing property from NASCO Properties shall be considered, for the purposes of NASCO Properties internal policy decisions, either "Jointly-Managed" or "Master Lease" co-ops. Specific lease and/or management agreements with the cooperatives shall detail the specific arrangements. All projects shall initially be considered "Jointly-Managed" until the board finds that their internal management capabilities warrant that they become a "Master Lease" project.

3.1.1.1. "Jointly-Managed" co-ops shall receive, for management fees, comprehensive property management assistance. This management assistance shall be specified in a lease agreement and may include (but not be limited to): paying all property-related expenses, refinancing debt, providing fire and liability insurance, providing for major repairs and rehabilitation, supervising maintenance, receiving board meeting minutes, etc. Assisting in project budgeting, performing lender reporting, etc. (amended 7/01)

3.1.1.2. "Master-Lease" co-ops shall be those projects which have hired on-site managers. NASCO Properties shall, upon this designation, reduce its involvement in management to be primarily oversight of property-management. This oversight shall be specified in a lease agreement and may include (but not be limited to): managing property-debt, oversight of maintenance reserves, receiving maintenance reports, receiving occupancy reports, receiving board meeting minutes, oversight of budgeting, general oversight and assistance as necessary. Additional services may be provided, according to the mutual agreement of the co-op and NASCO Properties.

3.1.1.3. Jointly-Managed co-ops shall be delegated increasing responsibilities as they increase in staff time and expertise. All changes in the leases and management agreements shall be approved by both the NASCO Properties board and the board of the leasing cooperative and shall be contingent on adequate performance over time. (7/01)

3.1.2 Examples of Master Lease Cooperatives

3.1.3 "Hybrid –Hybrid" model of development and management (6/22-23/96, 2/01). The following was adopted by the board:

3.1.3.1. NP co-ops which have become large and stable enough to hire on-site managers shall graduate into the "Master-Lease" phase. Such sites shall have significantly high degrees of autonomy and independence from the central organization. NP shall develop a new section of bylaws to insure the autonomy and local control of Master-Lease systems; these bylaws shall serve as a "Bill of Rights" for the Master-Lease cooperatives. While NP will hold the title to the properties, all of the effective control of the cooperatives (budgets, rent structures, policies, maintenance projects, membership guidelines, etc.) shall rest with the individual systems. NP will only have the authority to intervene in a co-op's operations if the co-op fails to make scheduled lease payments to NP in a timely manner, or if specific signs of trouble or severe difficulties become apparent.

3.1.3.2. Development which occurs through "normal channels" shall result in NP-owned properties. However, nothing will prevent local co-ops from attempting to develop new properties on their own if they so desire. Therefore, co-ops which are sufficiently dedicated to the cause will have the opportunity to become "Hybrid Systems."

3.1.3.3. All equity built up in NP owned properties shall be designated for the improvement and expansion of NP co-ops; i.e. the sole purpose of NP equity shall be the perpetuation of NP. All decisions of NP equity shall be made by the National Board. Development projects near current NP co-ops shall have first priority to

utilize NP equity.

3.2 MAINTENANCE MANAGEMENT

3.2.1 Responsibilities for maintenance (11/1/91)

Property rehabilitation, major maintenance, and minor maintenance decisions fall into the following categories:

3.2.1.1. Initial Rehabilitation Period:

Staff is responsible for the initial rehabilitation and rehab decisions of properties following purchase. The purpose of this rehab and maintenance is to bring the building up to code and to make changes or repairs that improve the space for use as a cooperative. This specifically includes decisions relating to the use of space, safety, code compliance, and aesthetic considerations. Staff will solicit input from future members regarding rehabilitation priorities, but shall remain responsible for prioritization.

3.2.1.2. Subsequent Rehabilitation Work (3/03):

The board is responsible for approving all ensuing rehabilitation. Rehabilitation includes any structural or use changes to the building. Staff shall work with Jointly-Managed co-ops to conduct a Yearly Maintenance and Capital Needs Assessment which will appraise rehabilitation and major maintenance needs and timelines for addressing those needs. Staff shall manage or delegate management for all rehab projects, in Jointly-Managed co-ops, upon the project's approval by the board. Projects will be charged for expenses on any rehabilitation proposal and project.

3.2.1.3. Subsequent Major Maintenance: (3/03)

3.2.1.3.1. In Jointly-Managed co-ops: Major maintenance includes all non-rehab maintenance expenditures over \$1,000 for repair or replacement. Major maintenance is approved by the NASCO Properties board, in the form of a capital budget for each leasing co-op, each year. Emergency major maintenance may be approved by NASCO staff. Staff shall fully manage any major maintenance project (emergency or scheduled). This management includes: making expenditures, contractor hiring, and receiving and using member labor for the project. Staff time and expense would be billed according to the prevailing billing policies. Staff may, at its discretion, allow the co-op to manage parts of major maintenance projects.

3.2.1.3.2. In Master-Leased Co-ops: Major Maintenance includes any non-rehab maintenance expenditures for that property. Notification is required prior to contracting for work on major maintenance projects, and no work shall be done if there is an objection by staff of NASCO Properties. Co-op shall fully manage the project unless it desires otherwise.

3.2.1.4. Minor Maintenance (3/03)

3.2.1.4.1. Minor Maintenance includes all repair and replacement expenditures under \$1,000 and within the minor maintenance budget for the house. Tasks which may require skilled contractors shall be managed by the co-op unless the co-op requests the staff to do so. Master-Leased co-ops shall perform minor maintenance at their own discretion, and without management assistance from NASCO Properties.

3.2.1.4.2. If staff feels that a minor maintenance item is a particularly high priority, it may require that a

co-op repair it. Staff may only do so if the minor maintenance item is required by law, threatens revenue, safety or may jeopardize lender relations.

3.2.2 Maintenance of property and reporting (11/91, 3/03, 11/08). For reasons of economics and the image of group equity housing cooperatives, all NASCO Properties owned properties shall be kept in a sanitary, clean, and well-maintained condition.

3.2.2.1. Standard of upkeep. NASCO Properties projects shall keep their properties in a sanitary and clean condition.

3.2.2.2. Timely maintenance. Staff and NASCO Properties projects shall provide for the timely performance and completion of all maintenance with respect to NASCO Properties-owned properties.

3.2.2.2.1 Monthly reporting. (11/08) All NASCO Properties projects shall operate under management agreements which provide for the monthly reporting of maintenance needed and performed, and shall receive monthly requests for information from each location for the coordination of staff efforts and for reporting to the NP board.

3.2.2.2.2 No reimbursement without reports. NASCO Properties shall not reimburse projects for appropriate maintenance expenditures in the absence of such reports.

3.2.2.2.3. Inspections. NASCO Properties staff, or appointed representatives, shall perform regular inspections of Jointly-Managed co-op providing a schedule of necessary maintenance to be performed. All tasks shall have a budget and a designation of the responsible party. If a project is responsible for a task, and does not complete it according to the schedule, staff is directed to complete the task through contract labor. At this time, staff has the option to perform other tasks assigned to the project, if the project is not interested in them. Projects may be charged for staff-time for each task that staff takes over for a project.

3.2.3. Definition of Maintenance (6/14) The use of NASCO Properties maintenance funds shall be limited to projects directly related to the upkeep of property. This includes any structural or mechanical systems related to the habitability of the property as well as any expenses required for the health and safety of residents. This also includes any projects required for code compliance, requirements set out by lenders to NP, or requirements to continue property or liability insurance coverage.

3.2.3.1 Maintenance funds may be used for materials and equipment related to maintenance, including tools that the coop may use for other projects in the future.

3.2.3.2 Maintenance funds may be used for labor or service fees paid to a third party. If labor or service fees are being paid to a member of the NP board, the cooperative, or the cooperative's board, this payment must comply with policy 1.3.1.5 (Conflicts of Interest), and be approved by the NP General Manager.

3.2.3.3 In the event of a planned Labor Holiday where coop members are contributing their time to a larger set of goals, it is reasonable that maintenance funds may be used to make modest food purchases. The goal of this policy is not to use maintenance funding for food, but to allow the coop to focus on maintenance projects, and thereby save maintenance funding over the amount that would have been paid to outside labor.

3.2.4 **Amenities** (6/14) NASCO Properties maintenance funds (including capital improvements, minor maintenance, or maintenance reserve funds) shall not be used for amenities which cannot otherwise be shown to be covered under policy 3.2.3. NP Leasing coops are encouraged to create their own amenities budgets for social events, recreational expenses, or aesthetic improvements. Amenities include (but are not limited to):

3.2.4.1 Kitchen appliances or equipment beyond ovens, cooking surfaces, prep surfaces, plumbing, and refrigeration

3.2.4.2 Any gardening or landscaping not directly required to soil drainage, building foundations, or health/safety/code issues

3.2.4.3 Recreational equipment, including audio/video equipment, and sports or game equipment

3.2.4.4 Computer or networking equipment

3.2.4.5 Furniture and decorations

3.3 LOCAL ASSISTANCE

3.3.1 Local advisory groups (2/12/00, 7/03). NASCO Properties staff and Board members in each location where we have properties may recruit volunteer community members for an NP Advisory Group to be approved by the local cooperative. These groups shall meet with staff, the Board member and any other interested members at the time of each site visit by the staff, and shall meet with the local cooperative by request of the group. Staff shall give each advisor an orientation to the organization and shall send to all Advisors the annual report.

3.3.2 Internships (6/14) NASCO Properties shall budget for a paid internship each year. The goal of this allocation is to assist NP leasing coops in stabilizing their operations or achieving goals beyond their current reach.

3.3.2.1 The highest priority for internship funding shall be stabilizing an NP leasing coop in the event of a crisis. Examples of a crisis that would be appropriate for an internship include persistent vacancies or member debt beyond the coop's vacancy reserves, disruptive turnover among the membership or officers of a house or coop, or an inability to comply with the legal or financial requirements of the coop.

3.3.2.2 Internships may also be funded through the NP budget for other purposes to be decided upon by the NP board, but not to the exclusion of an internship as described in section 3.3.2.1 of these Standing Rules.

3.3.2.3 Proposals for the use of internship funding will ideally come from NP leasing coops or board members, rather than from staff. After the fall NP board meeting, NP board members are encouraged to promote this option to determine whether there is local interest in hosting an intern, in order to inform the budgeting process in the spring.

3.3.2.4 In the event that a leasing coop proposes an internship, the coop should submit minutes of a meeting of the general membership or board of that coop formally approving the internship. In the event that an internship is proposed by the board or staff, the leasing coop receiving the internship will be given the option to formally approve any materials related to this job description and give feedback to the NP board.

3.3.2.5 Proposals for an internship using NP funding should include a job description with specific goals and duties, as well as a timeline for reporting on progress. Proposals should also include a statement of the goal for the internship. It is also recommended that an NP Leasing Coop that proposes to host an intern be prepared to offer room and board to supplement any stipend coming from NP funds.

3.3.2.6 Any intern funded by NP must report to the NP General Manager as well as the members of the NP Leasing Coop. The NP General Manager is responsible for reporting to the NP board on any internship funded through NP's internship budget.

3.3.2.7 The NP board may approve an internship meant to improve NP as the central organization, rather than a leasing coop. This cannot be to the exclusion of an internship as described in sections 3.3.2.1 or 3.3.2.2 of these Standing Rules.

3.3.2.8 Unused internship funding shall carry over from one fiscal year to the next.

3.4 NASCO PROPERTIES STAFF

3.4.1 Management by NASCO (7/03). Organizational management shall be done by NASCO or another person or organization at the discretion of the Board.

3.4.2 NASCO Executive Director to appoint NP General Manager (7/03, 11/08). For the duration of any contract for management with NASCO, a staff member shall be appointed by the NASCO Executive Director to be the General Manager of NASCO Properties.

3.4.3 - Staffing Contract (Contract for Services) Annual Review. (6/10) At each summer meeting of the NP board, a review of the Staffing Contract between NP and NASCO Education will be reviewed, including the job description of the NASCO Properties General Manager. The purpose of the review will be to ensure that the terms of the contract reflect the changing needs of the two organizations, as the contract runs in perpetuity.

Chapter 4: Development and Ownership

4.1 Development Model (6/22-23/96). See text in section 3.13 above.

4.2 Authorization of G.M. to make purchase offers (10/29/99). The General Manager shall be given standing authority to make purchase offers on property. Any such offers shall be contingent on approval of the Board of Directors.

4.3 Contracting with CCDC (6/26/99). Recognizing that NASCO Properties and the Campus Cooperative



Development Corporation have special roles in development, we shall work with CCDC to regularize our future affairs.

4.4 Perpetual Ownership by NP. (6/10) NP intends to serve as a permanent owner to the houses it buys. NP does not anticipate selling off houses to local co-ops. Rather, for the properties owned by NP, NP envisions the Master-Leasing option as the most independent stage of an NP-owned property's development. Any coops which operate in partnership with NP are also encouraged to consider purchasing or leasing properties which are not owned by NP.