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CONTENTS

Acknowledgements	1
Introduction	5
Why choose a cooperative?	7
Housing choices: comparisons	8
Monthly cost comparison	9
Cooperative basics	10
The seven cooperative principles	10
Cooperative housing terms	11
Equity structure in cooperatives	13
Share of equity owned by members	13
Appreciation of equity	13
Transfer value formula	14
Governing the cooperative	14
The function of the temporary board	14
The role of other cooperatives and supporting organizations	14
Transitioning from construction to operation	15
A hybrid model in Adams-Friendship, Wisconsin	16
Governance decisions	17
Meetings with members	17
Guidelines for creating legal documents	18
Articles of Incorporation: decisions to be made	19
Bylaws: decisions to be made	20
Letter of Intent: decisions to be made	22

APPENDICES

A. Articles of Incorporation	23
B. Bylaws	25
C. Letter of Intent / Offer to Purchase	51
D. Certificate of Membership and Share	57
E. Occupancy Agreement	59
Appendix A of the Occupancy Agreement: House Rules & Regulations ...	64
F. Memorandum of Occupancy Agreement	65
G. Transfer Value Formula	69
H. Resources	71







INTRODUCTION

“The best of ownership with the best of renting.”

“The best of independence with the best of support.”

“Cooperative housing is a form of home ownership, not a type of building.”

This manual is designed to help people in rural Wisconsin develop housing cooperatives composed of a small number of adjacent single family homes specifically designed for senior citizens. A companion manual, the *Development Manual for Small Rural Home Cooperatives*, covers the development process in detail.

These manuals refer to and are based on a cooperative housing development that took place in Adams-Friendship, Wisconsin. The co-op was supported by a State

of Wisconsin Homecoming Community Housing Partnership grant, which helped pay for some of the pre-development costs, and by development assistance from the Foundation for Rural Housing. The funding sought to create an alternative for rural residents to moving into a nursing home, a concern for many senior citizens.

The manuals are designed to help others “jump start” their own development process.





WHY CHOOSE

a COOPERATIVE?

In cooperative housing, a group of people jointly own the cooperative by buying shares (stock) in the cooperative corporation. They share responsibilities for making decisions about their co-op, and share many of the co-op's expenses, including maintenance, repairs, and property taxes. Each member pays a monthly fee to cover these costs.

The cooperative member-owner-resident (hereafter referred to as member and/or member-owner) has an exclusive right to occupy a particular home. The cooperative's bylaws and membership documents are established by the members and may be modified by the members. These documents describe the members' rights and responsibilities. Members also vote for a board of directors, which approves an annual budget. When a cooperative is small, it is likely that all members will participate directly in making many decisions.

The housing cooperative model permits a wide range of legal and financial flexibility in its structure. The housing cooperative may own the land but not the improvements, or it may own both. Equity appreciation may be determined by the market, or may be limited by a formula established in the co-op bylaws. A typical formula is 1% per year. A limit on equity appreciation assures a small return on members' investment, but keeps the housing unit affordable for the next member-owners. A market rate

cooperative permits members to receive a market rate of return when they sell their share.

Cooperative homeowners receive tax and financial benefits just as other homeowners do. If the cooperative corporation has a mortgage loan, they may deduct their pro-rata share of the interest payments, as well as interest on their personal mortgage (share) loan. They may also deduct their pro-rata share of the real estate taxes from their income tax. They qualify for homestead or other state tax exemptions, and if they sell their home, any equity the property may have accrued is their gain, subject to limitations imposed through the bylaws. Government programs with "spend down" asset requirements treat shares in a cooperative as home ownership equity.

In addition to the economic benefits, the social framework of cooperative living has proven to be very beneficial to residents. As reported in a 2000 USDA study, the overwhelming majority of residents of rural senior housing cooperatives perceived that the co-op had a positive effect on their sense of life satisfaction, good health, social contact, and ability to live independently. The study showed that an improved sense of self-control, mutual determination, and interdependence, combined with a heightened sense of community and caring for each other, are integral components of cooperative living.



Housing choices: comparisons

Prospective cooperative members may find the co-op concept easier to understand after they've seen a chart comparing cooperative housing with other forms of housing. The following chart details benefits and cost comparisons for four types of housing.

CO-OP HOME	RENTAL	CONDOMINIUM	SOLE OWNER OR CONDO
Ownership			
Member-owners are the sole owners of the co-op corporation which owns the land and/or homes. Members have exclusive rights to occupy a particular home.	The landlord owns the land and building.	Condominium members have a title to the dwelling unit plus a portion of the common elements (land and buildings).	Owners have title to the home and land.
Monthly costs			
Members pay monthly fee: a pro-rata share of actual annual operating costs.	Tenant pays the rent specified in a lease, which includes the landlord's profit. Lease terms are subject to change.	Members pay monthly fee: a pro-rata share of actual annual operating costs.	Owner pays all taxes, insurance, maintenance, etc.
Maintenance & repairs			
Cooperative is responsible for some or all of the costs, based on decisions of members.	Landlord is responsible for all maintenance and repairs.	Condominium association is responsible for maintenance of spaces exterior to the condos. Members are responsible for interior maintenance.	Owner is responsible for all maintenance and repairs.
Sales/equity appreciation			
Equity depends on formula determined by members in bylaws. Members must approve sales.	Any increase in value belongs to landlord. Renters have no control over who buys or rents.	Unit owners have control over sale of their units. New buyers must accept conditions imposed by the condominium association.	Any increase in value belongs to the owner, who controls sale of own unit but not that of neighboring properties.
Taxes			
Co-op owners enjoy same benefits as homeowners. Benefit is based on value of share.	Tenant may be eligible for home-stead tax credit based on rent paid.	Benefits are based on the condo unit and on owner's share of common areas.	Benefits are based on the value of the home.



Monthly cost comparison

This chart details approximate monthly costs for three housing choices: a cooperative home, rental, and sole owner/condominium. It is based on an \$87,000 home (or similar rental value) with homestead tax credit included in the property tax calculation. Mortgage payments are not included in the table, and would obviously be additional costs for the owner of a cooperative home, condominium, or sole owner home.

<u>Expenses</u>			
	CO-OP HOME	RENTAL	SOLE OWNER OR CONDO
Net property tax	\$110	0	\$110
Water / sewer	\$ 45	0	\$ 45
Electric	\$ 30	\$30	\$ 30
Heat	\$ 40	\$50	\$ 50
Insurance	\$ 15	\$ 5	\$ 15
Maintenance	\$30 (pooled)	0	Self or \$40
Accounting	\$20 (pooled)	0	Self
Trash	Depends on community	0	Depends on community
Reserves	\$30 (pooled)	0	Savings
Rent	NA	\$350+/-	NA
TOTALS	\$320	\$435	\$290 or \$330

	CO-OP HOME	RENTAL	SOLE OWNER OR CONDO
<u>Benefits</u>			
	Build or maintain equity with home and/or equity on land, according to formula in co-op bylaws. Co-op arranges maintenance as defined in the occupancy agreement.	No worry about maintenance.	Build equity when housing values rise.
<u>Maintenance decisions</u>			
	Co-op is responsible for some or all maintenance. Members make decisions on maintenance as a group, usually through the board of directors.	No control on maintenance decisions, which may not meet standards.	Responsible for maintenance of home. Condo association is responsible for shared spaces.
<u>Equity appreciation</u>			
	Equity appreciation depends on market and co-op's structure.	No chance to build equity; rents may rise.	Equity appreciation depends on market.
<u>Decision-making</u>			
	Member makes many decisions on their own home. Other decisions are made as a group, usually through the board of directors.	Landlord makes decisions.	Owners make decisions on their own home. Other decisions are made as a group, usually through the board of directors.





COOPERATIVE BASICS

Cooperatives are businesses or organizations that are owned and governed by the people who use their products or services. They share the costs and the benefits, and they control the operations and policies, usually through an elected board of directors.

There are over 48,000 cooperatives in the United States, according to the National Cooperative Business Association. Co-ops are part of every sector of the economy, including agriculture, credit, utilities, health, and food.

Many cooperatives are small businesses, serving people in local communities. Other cooperatives, like Land O'Lakes and Ocean Spray, are multi-billion dollar companies with strong consumer brands.

Over 6,400 housing cooperatives provide homes to 1.5 million households. Cooperatives worldwide adhere to basic principles which were developed over one hundred years ago and refined in the past decade. Like other co-ops, housing co-ops should follow the seven basic cooperative principles.

The seven cooperative principles

1) Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2) Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership.

3) Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative.

4) Autonomy and Independence

Cooperatives are autonomous, self-

help organizations controlled by their members.

5) Education, Training & Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

6) Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

7) Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.



Cooperative Housing Terms

Annual meeting:

A meeting of all cooperative members. This meeting is legally required of all cooperatives. At the meeting, members may hear financial reports, elect representatives to the board, amend the by-laws, and conduct other business.

Articles of Incorporation:

In Wisconsin, this document is filed with and accepted by the Wisconsin Department of Financial Institutions of the Secretary of State. It establishes the cooperative as an official association, incorporated to provide housing to the cooperative's members. It also provides the cooperative with all of the powers, purposes and objectives set forth in the Articles of Incorporation, which can be amended if the need arises.

Board of directors (or "Board"):

The executive and administrative entity of the cooperative corporation. Elected as provided in the bylaws to act for and direct the affairs of the cooperative in the interests of the members. In some small cooperatives (such as Adams-Friendship) all co-op members are on the Board of Directors.

Bylaws:

Bylaws are established for the purpose of managing and directing the affairs of the cooperative. They must be consistent with the state statute on cooperatives (in Wisconsin, Chapter 185). Among other

things, they include information on the rights and responsibilities of members, governance, transfer of shares, and equity appreciation limits.

Cooperative fees:

The estimated cash amount which the board of directors shall determine to be necessary or proper for:

- (a) the operation, maintenance, care, alteration, and improvement of the property during the year;
- (b) the creation of such reserves as it may deem proper;
- (c) the payment of any obligations, liabilities, or expenses incurred.

The co-op fees may be adjusted or re-determined from time to time by the board in accordance with, and subject to the limitations of, the bylaws and the occupancy agreement.

Equity:

The dollar value of a property owner's interest in an investment. It is the difference between the value of property and the total amount of mortgages against the property.

House rules:

The rules and regulations for the use and operation of the cooperative's property. The initial rules are an appendix to the occupancy agreement. The co-op's board of directors can change rules pursuant to the provisions set forth by the bylaws.



Limited equity formula:

A formula that describes how the equity in a cooperative may appreciate. This is sometimes an annual percentage, or it may be related to the Consumer Price Index or other cost of living indicators. The formula affects the price at which members may sell their co-op unit.

Member:

The owner of a Membership Certificate, which entitles the member to execute an Occupancy Agreement (i.e. live in the specific home). By virtue of ownership of a Membership Certificate, the member shall be a member of the cooperative association, which includes all of the co-op's members. The cooperative shall make membership available on a voluntary basis, with no discrimination on the basis of gender, marital status, sexual preference, or physical challenge to all persons who are both able to make use of its services and are willing to accept the responsibilities of membership.

Membership Certificate:

A certificate evidencing the name of the registered holder(s) of a cooperative share, which represents the right of the household to occupy a specific place in the cooperative. There may be more than one person in a household, but only one membership and one corresponding vote.

Occupancy Agreement:

The agreement that governs the relations between the co-op and the member, as occupant. It specifies the rights and obligations of the member and the cooperative.

Occupancy Memo:

A proprietary lease agreement giving the member the right to occupy a specific unit within the cooperative. In the hybrid model outlined in this manual, it was filed like a deed.

Quorum:

The minimum number of people that must be at a meeting to conduct official business for the cooperative.

Reserve fund:

The repair and replacement reserve is a savings fund established by the co-op. Maintained in accordance with the by-laws, it is to be used for repairs and replacements.

Share:

Represents an individual's right to occupy a specific space within a housing cooperative.

Share loan:

A loan taken out by members to purchase a share in a housing cooperative.

Transfer Value Formula:

The transfer value is the dollar amount for which a member's share may be sold, as specified in the bylaws. The formula calculates the value of improvements when a cooperative unit is transferred from one owner to another.



Equity structure in cooperatives

Equity is the dollar value of a property owner's interest in an investment. It is defined as the difference between the value of property and the total amount of mortgages against the property. The housing cooperative model can be adapted to a wide range of financial structures.

Share of equity owned by members

In a typical housing cooperative, the cooperative corporation owns the land and all of the improvements on the land. Members own all of the shares in the corporation.

In a **full equity cooperative**, each member purchases a share which represents the full value of their unit, in addition to a share of the land and shared common spaces. If members need to borrow money to pay for the share, they can apply to a lender for a "share loan." A share loan is taken out by a member to buy a share (representing a housing unit) in a housing cooperative.

In other cooperatives, each member purchases a share which represents a **portion of the value** of their unit, as well as a portion of the value of the land and shared common spaces. The cooperative corporation owns the balance of the value of the property. When the cooperative is developed, the cooperative assumes a master mortgage, often at favorable rates, and members pay a

portion of this mortgage as part of their monthly fee.

In a **leasehold co-op**, the member-owners lease the property from a landlord or non-profit organization, and operate the building as a co-op. Members have no equity ownership in the cooperative, but may benefit from reductions in operating costs created by their care and stewardship of the property.

Appreciation of equity

In a **market rate co-op**, units are sold at full market value, allowing for maximum appreciation of the member's equity.

A co-op can adopt bylaw provisions that limit the return on equity received by members when they sell their unit. Typically, this strategy is employed to maintain long-term housing affordability and to retain the value of any public subsidy that may have been used in financing the creation of the co-op. Because this type of co-op limits each unit's equity appreciation, it is called a "**limited equity**" **co-op**. These co-ops adopt a formula that allows share values to increase at a modest rate (1% per year is typical) or by the depreciated value of improvements, or by some combination of these values.

In Adams-Friendship, a Transfer Value Formula was developed to clarify the calculation of the value of improvements made to the cooperative homes.



Transfer Value Formula

Initial Acquisition Price (IAP)
+ Up to 1% of IAP compounded per annum for ___ years
 [# of years I occupied the private dwelling]
+ Net value of improvements
= Highest price I may charge for my Occupancy Interest

Example of the Transfer Value Formula:

Jane purchases her Occupancy Interest for the Initial Acquisition Price of \$75,000, lives in the Private Dwelling for 10 years, and adds a Cooperative-approved tool shed, with a net improvement value of \$500 (even though it cost \$900 to build).

Inputting the numbers into the formula:

Initial Acquisition Price (IAP) [\$75,000]
+ Up to 1% of IAP compounded per annum for 10 years [7,846.66]
+ Net value of improvements [\$500]
= Highest price Jane may charge for her Occupancy Interest
= \$83,346.66.

The Transfer Value is *not* a guaranteed price for an occupancy interest, but a ceiling price that may be charged to a willing eligible buyer. The net improvement value does not usually equal the cost of the improvement.

In the example above, Jane's tool shed cost \$900 to build but added only \$500 in value to the private dwelling, as determined by a certified appraiser.

Governing the cooperative

The function of the temporary board

A temporary (or interim) board is often used while a cooperative is getting started. Depending on the development process, this board may direct the formal/informal marketing efforts, identify sites, and make the basic decisions on the structure of the co-op. This board also may approve the legal documents (Articles of Incorporation, membership agreements, letters of intent, etc.) so that the cooperative can become a legal entity and recruit members.

When a sufficient number of members have joined the cooperative to ensure its viability, a membership meeting is held. At this first meeting, the bylaws are ratified and a regular board of directors is elected.

The role of other cooperatives and supporting organizations

One of the key cooperative principles is "cooperation with other cooperatives." Nearby cooperatives (electric, farm supply, dairy, food, etc.) can be sources of critical support to the housing co-op. If possible, arrange a meeting with the managers and the directors of local co-ops in the area, to outline potential plans for the housing co-op and suggest possible supporting efforts.

Support could include: regular publicity in the co-op newsletter, assistance from the co-op accountant and/or attorneys, referrals to local contacts in the business community, site ideas, and ongoing support for the co-op board.



In addition to area cooperatives, local organizations and agencies will play a critical role in the success of the cooperative. Staff at the senior center, the County Office on Aging, and local UW Extension offices can offer personal credibility and trusted relationships with potential members. It is important that such supporting organizations have a good understanding of the co-op concept, because they may be the most effective “marketers” for the co-op. They should be involved in the initial meetings with members, and be part of the informal support network for the co-op.

Other important local organizations include the city/village/town staff and elected officials, financial institutions, and the business community, including realtors. Again, it’s important that they have a good understanding of the cooperative concept, so that they can answer questions and assist with site development and financing. Ideally, they will give the co-op credibility through their public support.

State and regional organizations that are familiar with cooperative housing development are good sources of assistance throughout many steps of the project. A list of these resources is included in Appendix H.

Transitioning from construction to operation

The final step in setting up a senior housing cooperative is the most exciting one, in which the patience and work of the senior co-op members finally pays off.

The board of directors is now in charge of governing the housing cooperative, which is, in effect, an ongoing business.

The board is responsible for a variety of activities, including:

- Ensuring proper financial oversight of the cooperative and grounds and buildings.
- Hiring, supervising, and paying any external contractors for maintenance (including lawn care and snow shoveling) and repair.
- Keeping good financial records of the cooperative.
- Maintaining a good relationship with the community in which the co-op is located.
- Ensuring that all the co-op’s homes remain full by marketing available homes and by screening and approving potential new members.
- Handling member concerns or problems.
- Submitting annual reports as necessary to the State. The agent listed in the Articles of Incorporation will receive the forms.
- Holding regular board meetings.
- Keeping good minutes of board meetings and member meetings, documenting the details of decisions.

As board members gain experience and develop systems for handling these issues, the list of tasks will seem less overwhelming. If the cooperative has developed a good relationship with an area co-op, staff and board members will be an excellent source of advice.

There are organizations that offer training in board governance and on issues specific to housing cooperatives. These organizations are listed in Appendix H.





A HYBRID MODEL in ADAMS-FRIENDSHIP, WISCONSIN

This manual focuses on small-scale cooperatives with fewer than 20 residents. This model was pioneered by the “Homestead” cooperatives, which were built in sixteen rural communities in Wisconsin, Minnesota, Iowa, and Missouri. Their sizes range from 16-31 units, in apartment/condo style buildings. In these co-ops, the cooperative corporation owns the land and the buildings, and residents own a share in the co-op that entitles them to live in one of the homes.

The model of co-op housing demonstrated in Adams-Friendship, Wisconsin, is another variation. These rural seniors knew they wanted unattached, separate homes. Some were initially uncomfortable with the idea of a co-op owning their home, but at the same time they thought it made sense to form a co-op that would own the land and manage the grounds.

In response to their wishes, a co-op model was developed that somewhat

resembles a land trust. The cooperative members have a 99-year occupancy interest in their unattached homes. This interest is considered a conveyance under state law and recorded like a deed, but the cooperative owns the land and the improvements to the land. The limited equity model was used to limit appreciation in the value of the cooperatively owned land and dwellings.

Even experienced attorneys who often work with cooperatives may be unfamiliar with the details of this “new” approach to the ownership of housing co-ops. The documents included in this manual will help to clarify or guide the legal relationships.

Much of the information in this manual can be applied to a wide variety of housing co-op models, but some of the details, along with some of the language in the legal documents, are specific to the Adams-Friendship model and Wisconsin.





GOVERNANCE DECISIONS

Meetings with members

The local initiators of the development process will need to publicize the date and time of a public meeting to discuss the proposed housing cooperative. These local initiators may include staff or board members of a local co-op, the Office on Aging, or interested community members. The meeting should be held at an accessible location.

Several member meetings will be necessary to introduce residents to the cooperative concept and begin the decision-making process. Packets with pertinent information should be distributed at each meeting. All documents should be clearly written in a highly-legible font size (no smaller than 12 point). Finally, to reduce confusion, it is especially important that working documents are dated as changes are made. Details on these documents and meetings are included in the *Development Manual for Small Rural Home Cooperatives*.

It is vital that future members be involved continuously as decisions are made on key issues. This level of participation and discussion may mean that the overall process takes longer, but the resulting long-term involvement and commitment will create a stronger sense of community.

The types of meetings will vary, and rarely will a meeting cover only one agenda

item. The following list is typical of the number and type of meetings needed to introduce potential members to the co-op concept and to involve them in crucial decisions.

- Four introductory meetings. These meetings will involve simple explanations of co-op concepts and a review of universal design standards for homes.
- Two meetings on possible sites.
- Three meetings to make preliminary decisions on sites, age limitations, design, and costs.
- Tours: A tour of a similar type of housing cooperative is highly recommended. If members are considering manufactured homes, a tour of a manufactured home factory is also beneficial. If this isn't feasible, watch a manufacturer's video about the process.
- Three meetings to make decisions on the co-op's legal documents.
- Two meetings on utilities and landscaping.
- Three meetings on the progress of construction.
- Two meetings to create and approve the annual budget.



Guidelines for creating legal documents

Since a cooperative is a corporation, a series of legal documents must be prepared whenever a cooperative is started. These documents will determine how the cooperative will function, and outline the rights and responsibilities of members. Members need to make a number of key decisions as the documents are being prepared.

These documents help to provide potential members with a clear idea of their rights and obligations before they commit to purchase a share in the cooperative. Each member should have a clear understanding of these documents before he/she signs a letter of intent or purchase agreement. When working with the potential co-op members, it is important to clarify how the various legal documents relate to each other.

The **Articles of Incorporation** create the cooperative corporation. In Wisconsin, they are filed with the Office of Financial Institutions. This website includes the forms, the statute that governs cooperatives, and instructions for filing: www.wisconsin.gov/state/byb/coopassociation.html.

The **Bylaws** outline how the cooperative will operate.

The **Membership Certificate** is the legal evidence of a member's share in the cooperative.

The **Occupancy Agreement** spells out the specifics of the right to exclusive occupancy of the home and the initial rules for all members of the cooperative.

The **Occupancy Memo** is a legal document that is signed and recorded like a deed.

Although much of the language in the legal documents is fairly standard, there are also some critical decisions that must be made by the members. Writing the documents offers a great opportunity to discuss the actual operations of the co-op with potential members. The process of drafting the cooperative documents can be made easier by using the following list of decisions. As decisions are made, they can be incorporated into the draft documents. Be sure to have an attorney who is knowledgeable in cooperative law review the documents before they are finalized. Sample documents are in the Appendix of this manual. Keep in mind that these documents conform to Wisconsin laws and were drafted specifically for the Adams-Friendship model.

Please note that after the cooperative is incorporated, it will need to obtain a Federal Identification Number in order to have a checking or savings account at a bank/credit union.

Information on obtaining a Federal ID Number is available through the Internet at: <http://www.irs.gov/businesses/small>



Articles of Incorporation: decisions to be made

These are the minimal decisions needed to incorporate in the State of Wisconsin.

- 1) Name of the cooperative.
- 2) Purpose of the cooperative.
- 3) Office address and/or agent. This can be an attorney, or a member of the local group that is initiating the cooperative. Official mail to the cooperative will be sent to this address, unless the Articles are amended with a change of address.
- 4) Number and value of shares of stock in the cooperative and rights to transfer stock. The number and value of shares may vary, depending on the cooperative.
- 5) Who is authorized to dissolve the assets of grant/cooperative funds if dissolution becomes necessary? If dissolution is necessary, how will the assets be distributed?
- 6) Can the articles be amended to change the basis for distribution of assets as described above?
- 7) Percent of co-op members needed to change incorporation documents. *Please note that this item is optional, but recommended.*
- 8) Names of five incorporators. (Note that the five incorporators of the cooperative do not have to be future members of the co-op. They are often members of the group initiating the co-op.)



Bylaws: decisions to be made

Bylaws are more extensive than the Articles, and involve many more decisions. The decisions should be made carefully, and it should be rather difficult to change them. In Wisconsin, Chapter 185 of the State Statutes provides guidance for many bylaw items. Also see the sample Bylaws in Appendix B for possible answers to many of the questions listed below.

Article I: Name and Location

Name and location of the cooperative. This should be consistent with the Articles of Incorporation.

Article II: Purpose

Purpose of the cooperative. This should also be consistent with the Articles of Incorporation.

Article III: Interpretive Provisions

Definitions of terms in the Bylaws and other Governing Documents. See an example in the sample Bylaws.

Article IV: Members

- 1) What will be the age limitation for eligible buyers of cooperative membership?
Note that the bylaws should include a section on compliance with applicable Fair Housing Laws.
- 2) How will the co-op handle joint membership? How will the co-op handle membership of descendents?
- 3) What will be covered by the co-op fee?
- 4) What is the sale process? What rules will govern equity increases?
- 5) How will the co-op handle temporary absences from the co-op?
- 6) What is the process of termination or transfer of ownership?

Article V: Meetings for Members

- 7) When will the annual meeting be held?
- 8) How many members must be present to constitute a quorum?

Article VI: Directors

- 9) What is the size of the board? (Note: In a small co-op, it may be advantageous to have a board position for all or for nearly every member, while allowing for some flexibility in the size of the board.)
- 10) What are the requirements for an audit review of the finances?



11) What are the limits on the board's borrowing authority?

12) How many years should directors serve on the board?

Article VII: Meetings of Directors

13) What are the notice requirements for meetings of the directors?

14) What will constitute a quorum for board meetings?

Article VIII: Officers

15) How many officers of the co-op are required?

16) What are the instructions regarding hiring a manager?

17) Who may be bonded by the co-op, and at whose expense?

Article IX: Contracts, Checks, Deposits

18) Who is authorized to act as an agent for the cooperative? This should be consistent with the Articles of Incorporation.

Article X: Liens and Encumbered Occupancy Interests

19) What are the requirements concerning liens for assessments by the cooperative and liens against occupancy interests by members?

Article XI: Additions, Alterations, and Improvements

20) What is the approval process for alterations, repairs, or improvements?

Article XII: Insurance and Damage Reconstruction

21) What insurance is required? This should be discussed with local insurance agents as they may not be familiar with cooperatives or the hybrid model described in this manual.

Article XIII: Waiver of Notice

22) Will members and directors be allowed to waive, in writing, notice of meetings required to be given in the Bylaws?

Article XIV: Fiscal Year

23) What is to be the cooperative's fiscal year?

Article XV: Seal

24) Is a seal needed?

Article XVI: Liability and Indemnification

25) What are the limits to liability for the cooperative?

Article XVII: Repeal or Amendments of Bylaws

26) How do members change, amend, or repeal the Bylaws?



Letter of Intent: decisions to be made

During the development process, a person or couple needs to submit a letter of intent in order to become a member of the cooperative. This document is submitted to the temporary board of directors. After the cooperative has been formed, a transfer process will be in place for changes of ownership.

The letter of intent is similar to an offer to purchase, and should be taken very seriously. The letter of intent outlines conditions that must be met on both sides in order for the offer to be finalized.

Although the required earnest money may be minimal, both sides assume that the intent to move forward toward purchase of a cooperative home is sincere. The co-op is taking a risk by saving a space for the person, and the person is taking a risk by making plans to move into a new home before their current home is sold (or vice versa).

A sample letter of intent is included in Appendix C. The group needs to make one important decision when preparing the letter: if a member defaults on the agreement, will the cooperative return the earnest money? Or perhaps the co-op will extend the timeline? The co-op is not required to return the earnest money. The costs and risks associated with default should be examined carefully before a decision is made.





APPENDIX A

Articles of Incorporation

ARTICLES OF INCORPORATION OF _____

We, the undersigned adult residents of the State of Wisconsin, do hereby associate for the purpose of organizing and incorporating a cooperative association under the provisions of Chapter 185 of the Wisconsin Statutes, and to that end, we do hereby adopt the following Articles of Incorporation:

ARTICLE I: NAME

The name of this cooperative shall be _____.

ARTICLE II: PURPOSES

The principal purpose for which this cooperative is formed is to furnish its members with affordable land and improvements to locate their homes, within which its members may age in place. The cooperative may also furnish other membership support services, and engage in any activity within the purposes for which cooperatives may be organized under Wisconsin law, and all such activities shall be deemed within purposes, subject to express limitations as may be imposed under its bylaws.

ARTICLE III: NON-PROFIT OPERATION

The cooperative shall at all times be operated on a cooperative, non-profit basis for the mutual benefit of its members.

ARTICLE IV: REGISTERED OFFICE

The registered office of this cooperative shall be in the County of _____ at _____, Wisconsin.

ARTICLE V: REGISTERED AGENT

The initial registered agent shall be _____, whose address is County of _____ at _____, Wisconsin.

ARTICLE VI: DURATION

The period of existence of this cooperative shall be perpetual.

ARTICLE VII: DIRECTORS

Section 1.

The initial number of directors shall be ____.

Section 2.

The business and affairs of the cooperative shall be managed under the direction of a Board of Directors. The Incorporators shall act as the temporary Board of Directors of the cooperative until an organizational meeting of the cooperative has been called and bylaws adopted.

Section 3.

The number of permanent directors shall be specified in the bylaws, but in no instance shall the number be less than _____. The qualifications, term, and manner of election of directors shall be specified in the bylaws. The titles, authority, duties, and manner of the election of the principal officers of the cooperative shall be as specified in the bylaws.



Section 4.

The temporary board of directors shall be as follows:
(Names and addresses follow)

ARTICLE VIII: OFFICERS

The principal officers of this cooperative shall be a president, vice president, and secretary-treasurer, and such other officers as the bylaws may prescribe from time to time. The bylaws shall further prescribe the authority and duties of the respective officers and the manner of their election. The bylaws may also provide for such combination of officers or such assistant officers as is allowed by law.

ARTICLE IX: CAPITAL STOCK – AUTHORIZED SHARES

The cooperative is organized with capital stock. The aggregate number that the cooperative shall have the authority to issue is _____. The cooperative's authorized shares shall consist of one class only and shall be designated as membership class stock. Each share of stock shall have a par value of one dollar (\$1.00). A certificate of membership in the cooperative entitles a member, as member is defined in the bylaws, to one (1) share of membership stock. The sale or transfer of stock may only be done as authorized under the bylaws.

ARTICLE X: DISSOLUTION

Upon dissolution, and after all debts and liabilities of the cooperative shall have been paid, the remaining property and assets of the cooperative shall be distributed in a manner to be determined by the board of directors (and other organizations if applicable). These Articles of Incorporation may be amended to change the foregoing basis for distribution of assets upon liquidation of the cooperative.

ARTICLE XI: DISPOSITION OF PROPERTY

The cooperative may not sell, lease, or otherwise dispose of all or any substantial portion of its property, unless such sale, lease, or other disposition is authorized at a meeting of the members by the affirmative vote of not less than ____ [insert %] of the members, and unless notice of such proposed sale, lease, or other disposition shall have been contained in the notice of the meeting, along with an absentee ballot for the use of any member unable to attend the meeting.

ARTICLE XII: INCORPORATORS

List names and addresses of incorporators.

ARTICLE XIII: AMENDMENTS

These Articles may be amended by a ____ [insert %] vote of the members of the Cooperative voting at any annual or special meeting, provided that a statement of the nature of the amendment shall have been contained in the notice of such meeting.

(Witnessed & Notarized)





APPENDIX B

Bylaws

ARTICLE I NAME AND LOCATION

Section 1.1 Name. The name shall be _____ based on its incorporation on _____ in the State of _____.

Section 1.2 Location. The location of the Cooperative may or may not be the same as the principal office of its agent. Within the Cooperative, the home of the President of the Board is considered the address of the principal office unless otherwise designated below.

The location of the Cooperative is _____, Village of _____ in the State of _____.

ARTICLE II PURPOSE

Section 2.1 Purpose. The purpose of the Cooperative is to furnish its Members with affordable land and, for exclusive use, Private Dwellings and Improvements within which its Members may age in place. The purpose is also to maintain ongoing affordability through the use of a Limited Equity model so that future Cooperative Members will benefit from this purpose as well. The increase in equity is limited based upon due consideration granted to each Member; the Cooperative provides each Member with the exclusive use of an affordable home, possible support services, and the benefit of _____ grant funds in exchange for limitations on the future sales price of the Occupancy Interest.

The Cooperative may also furnish other membership support services, and engage in any activity within the purposes for which Cooperatives may be organized under (name of state) law, and all such activities shall deemed within purposes, subject to express limitations as any imposed under these Bylaws. The Cooperative shall at all times be operated on a Cooperative, non-profit basis for the mutual benefit of its Members.

Section 2.2 Powers. The Cooperative shall have the power to purchase, lease, or otherwise acquire land in _____ County, alter the land, and to locate dwellings and other buildings, facilities, and improvements thereon. It shall have the power to manage such property and to do any and all things necessary or convenient for the fulfillment of the purpose of the Cooperative. The management of the property shall include the power to act as agent for Members and prospective Members of the Cooperative in the sale of Occupancy Agreements to future Cooperative Members and in handling all transactions incidental thereto.



ARTICLE III INTERPRETIVE PROVISIONS

Section 3.1 Definitions. In these Bylaws and other Cooperative Governing Documents:

Articles of Incorporation means the Articles of Incorporation of the Cooperative that were filed on _____.

Assessment means payment due to the Cooperative for Common Expenses through a Cooperative Fee or payments due to other entities, such as real estate tax due to the taxing authority.

Board of Directors or Board means the Board of Directors of the Cooperative, and the terms “Director” or “Directors” refer to a Member of that Board.

Bylaws means the rules of the Cooperative that address governance, policies, rights and responsibilities.

Common Elements means all of the land, appurtenances, easements privileges, and alterations (such as driveways, landscaping, gazebo, etc.), except the Sites and accompanying Private Dwellings and Improvements.

Common Expenses means expenditures by, or financial obligations of the Cooperative including the annual administration and operation of the Cooperative, such as upkeep of Common Elements, requirements of the mortgagor, together with allocations to reserves.

Cooperative means (name of cooperative).

Cooperative Fee means the prorated fee charged to each Member to cover Common Expenses.

Cooperative Interest means the totality of interest in the Cooperative held by a Member, including, but not limited to, his or her Share (providing the right to vote), Membership Interest (providing right to Common Elements, as evidenced by a Membership Certificate), and Occupancy Interest (providing the right to exclusive occupancy of a Private Dwelling, as evidenced by an Occupancy Agreement).

Default means (i) failing to correct any violation of any Governing Documents within thirty (30) days of receiving a written request to correct the violation, or (ii) being more than thirty (30) days delinquent in any assessment or other payment due the Cooperative or another entity, or if an assessment is payable in installments, the failure to pay any two (2) installments, where such failure adversely affects the Member’s ownership rights in his or her cooperative ownership, including, but not limited to real estate taxes and amounts due on loans secured by the Occupancy Agreement.



Eligible Buyer means a person who is aged _____ years or older at the time of application with a qualifying income (either for purposes of a grant and/or assurance of ability to pay monthly fees).

Governing Documents means all of the documents setting forth rights and responsibilities for Members, including, but not limited to the Bylaws, Occupancy Agreement, Certificate of Membership, and House Rules and Regulations.

House Rules and Regulations means the rules and regulations for the use and operation of each Private Dwelling and the Common Elements. The Board may change the Rules pursuant to Bylaw provisions.

Improvements means buildings, structures, fixtures and other improvements external to the Private Dwelling, located on an identified Site, designed to serve the specified Private Dwelling exclusively.

Initial Acquisition Price (IAP) means the Initial Consideration for the Occupancy Interest (providing exclusive use of a Private Dwelling) paid directly to the builder contracted to construct the Private Dwelling on a specific Site on Cooperative land. The Cooperative will issue an Occupancy Agreement in exchange for proof of payment to the builder.

Initial Consideration means the price paid for an Occupancy Interest.

Limited Equity means that the sales price for the Occupancy Interest (providing exclusive occupancy of a Private Dwelling) is limited to below market price by a Transfer Value formula.

Majority Vote means a simple majority (except where a higher majority is specified) of the votes actually cast at a meeting held pursuant to these Bylaws where the quorum requirements for such meeting are satisfied.

Member means one or more persons who constitute a Member of the Cooperative.

Membership Certificate (or Certificate of Membership) means a document of ownership of a membership in the Cooperative. The Membership Certificate reflects the Member's Membership Interest. The initial price of the Membership Interest shall be \$_____.

Membership Interest means that portion of a Member's total Cooperative Interest in the Cooperative, which relates to the Common Elements, including alterations.

Net Improvement Value means the value of Cooperative-approved additions, alterations, or Improvements to a Site, as determined by a certified appraiser. This value is part of the Transfer Value calculation to determine a resale price under the Limited Equity model.



Occupancy Agreement means an agreement between the Cooperative and a Member for exclusive occupancy of a Site, Private Dwelling, and Improvements not scheduled to expire before ninety-nine (99) years from the date of the agreement. This agreement outlines the Member's Occupancy Interest. A Memorandum of Occupancy Agreement, a summary of the Occupancy Agreement, shall be recorded in the Register of Deeds.

Occupancy Interest means that portion of a Member's total Cooperative Interest in the Cooperative, which relates to the occupancy of an exclusive Site, Private Dwelling and Dwelling Improvements.

Officer means an Officer of the Cooperative.

Person means a natural person.

Private Dwelling means a single-family home designed for exclusive occupancy by a Member as a residence, and any internal fixture, equipment, appliances or other apparatus designed to serve only that residence.

Share means a share of the Cooperative.

Site means the footprint of a Private Dwelling and Improvements consisting of all structures plus _____ feet of surrounding land.

Transfer Value means the Transfer Value of an Occupancy Interest equal to the Initial Consideration paid at the time of initial acquisition (in the case of the first sale this is the Initial Acquisition Price (IAP)), plus the Net Improvement Value approved by the Cooperative (See Section 11.2), plus an amount equal to not more than 1% of the Initial Consideration paid, with such percent compounded per annum. The Transfer Value is not a guaranteed price for an Occupancy Interest, but a ceiling price that may be charged to a willing Eligible Buyer. (See Appendix A for the formula and example.)

Upkeep means operation, regulation, care, maintenance, repair, repainting, remodeling, restoration, improvement, renovation, alteration, replacement and reconstruction.

Section 3.2 Severability. Each provision of these Bylaws is severable from every other provision hereof, and the invalidity of any one or more provisions of these Bylaws shall not change the meaning of or otherwise affect any other provision hereof.



ARTICLE IV MEMBERS

Section 4.1 Obligations. Subject to approval by the Board of Directors and the qualifications and limitations on Members set forth in Section 4.2, below, any person or persons may become a Member in the Cooperative by submitting an application to the Board of Directors of the Cooperative and, if accepted as a Member, by purchasing one share of Membership Stock. Each applicant must:

(A) agree to purchase a Certificate of Membership in the Cooperative, which Certificate shall require the Member to enter into an Occupancy Agreement with the Cooperative regarding the Occupancy of an exclusive Private Dwelling. The initial price of the Membership Interest shall be \$ _____.

(B) agree to execute an Occupancy Agreement with the Cooperative, which Occupancy Agreement shall govern the rights and responsibilities related to occupying a Private Dwelling located on a Site on Cooperative land.

(C) agree to occupy, maintain, and upkeep a Private Dwelling, built and located on a specified Site on certain real property owned by the Cooperative including the payment of real estate taxes and reimburse the Cooperative for physical damage and liability insurance corresponding to that Private Dwelling.

(D) agree to comply with and be bound by all Governing Documents, including the Articles of Incorporation, Bylaws, the Occupancy Agreement and any amendment thereto and such House Rules and Regulations governing Members of the Cooperative as may from time to time be adopted by the Board of Directors.

(D) agree to be personally liable for all assessments, including the Cooperative Fee (as outlined in Section 4.3), or liens against any Cooperative Interest pursuant to Article X of these Bylaws and to avoid default, as defined by the Bylaws. No Member may avoid liability for any assessment by waiver, non-use or abandonment of any right or real estate.

Section 4.2 Qualifications and Limitations on Members.

(A) Membership shall be limited to an Eligible Buyer, which includes persons aged (____) years or older at the time of application with qualifying incomes.

(B) No person may own more than one (1) Membership in the Cooperative.

(C) A husband and wife or any two adults may jointly apply for Membership and their application for a joint Membership may be accepted in accordance with the foregoing provisions of this section, which provides:



- (1) either the husband or wife, or one of the two adults satisfies the age requirements of Section 4.2 (A); and
- (2) both the husband and wife, or in the case of two adults, both adults, comply jointly with the income provisions of Section 4.2(A).

Acceptance into Membership of any person who is married shall automatically be deemed an acceptance of his or her spouse as a joint Member unless such Member directs otherwise in writing.

(D) The Cooperative is an equal opportunity corporation, which will be open to Eligible Buyers without regard to sex, race, color, religion, sexual orientation, type or degree of disability, or other protected classes under State and Federal law. The Cooperative will comply with all applicable Fair Housing Laws.

(E) The Cooperative shall have no more Members than the number of Private Dwellings located on the site. It may have less than ___ Members, but must have more than three (3) Members, except during the initial start-up period.

Section 4.3 Cooperative Fee. Member agrees to pay the Annual Cooperative Fee as established in the Annual Budget pursuant to Section 6.2(C). This fee will be equal to ___% of the total costs established by the Cooperative pursuant to subsection (A) below. In the event that membership falls below full occupancy, the costs normally allocated to the missing Member(s) may be allocated to the remaining Members, on a monthly or more frequent basis pursuant to subsection (B), until the vacancy is filled.

The real estate taxes and physical damage and liability insurance corresponding to each specific Private Dwelling will not be considered part of the Cooperative Fee, and shall be paid by each Member occupying the Private Dwelling pursuant to an Occupancy Agreement. The prorated general liability insurance and any other general Cooperative insurance will be included in the Cooperative Fee.

(A) Cooperative Fee Itemization. These include, but are not limited to, the following items:

- 1) Cooperative operating expenses and cost of services furnished.
- 2) Necessary reserve and administrative costs.
- 3) Taxes and assessments levied against the Cooperative, which it is required to pay.
- 4) Premiums and deductibles for general liability insurance and any other insurance which the Cooperative may require.
- 5) The cost of furnishing any utilities, if billed to, and paid by the Cooperative.



- 6) Payments to other reserves set up by the Board of Directors.
- 7) Estimated costs of repairs, maintenance, and replacements of Cooperative property to be made by the Cooperative.
- 8) The amount of principal, interest, and any other required payments on any indebtedness of the Cooperative.
- 9) Any other expenses of the Cooperative approved by the Board of Directors, including operating deficiencies, if any, for prior periods.

(B) Amount and Timing of Cooperative Fee. The Board shall determine the amount of the Cooperative Fee on an annual basis and bill it monthly, but may do so at more frequent intervals should circumstances so require. No Member shall be charged with more than the appropriate share determined by the Board, however, in the event that membership falls below ___[insert number] Members, each Member may be required to cover additional expenses, on a prorated basis, That amount of the Cooperative Fee required for payment on the principal of mortgage of the Cooperative or any other capital expenditures shall be credited upon the books of the Cooperative as a capital contribution by the Members. Payment is due upon receipt of invoice from the Cooperative.

(C) Late Charges. In addition to all other sums due or to become due under this agreement, Member shall pay to the Cooperative a late charge, not to exceed ___, at any time payment of Cooperative Fee, or part thereof, is more than 30 days late. This late fee may be waived, depending on the circumstances and at the discretion of the Board.

Section 4.4 Rights of Members. Members shall, in addition to all rights granted by law, have the right to exclusive occupancy of a Private Dwelling built on a specified Site on real property owned by the Cooperative; utilize the Cooperative Common Elements; and to vote at meetings of Members.

Section 4.5 Non-Liability for Debts of the Cooperative. The private property of Members of the Cooperative shall be exempt from the execution for the debts of the Cooperative and no Member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

Section 4.6. Termination and Transfer of Membership.

(A) Termination and Limitations on Transferability. Upon the death, expulsion or withdrawal of a Member, such membership shall thereupon terminate. Termination of Membership in any manner shall not release the Member from the debts or liabilities of such Member to the Cooperative. Upon termination, membership in the Cooperative is not transferable, except to the Cooperative, or as otherwise hereinafter provided.

(B) Transfer to an Entity. A Member in good standing may transfer his or her Certificate of Membership to an entity, such as a living trust whose beneficial ownership is



limited to the Member or the descendants of the Member, and only upon approval of such transfer by the Cooperative's Board of Directors.

(C) Transfer within Joint Memberships. A membership may be transferred by a Member to his or her spouse or joint Member, as the case may be, upon the written request of such Member, at which point the remaining Member shall hold an individual membership. Any transfer hereunder shall be noted on the books of Cooperative and on the original Certificate representing the joint membership so transferred.

(D) Survivorship of Joint Memberships. When a membership is held jointly by a husband and wife or by any two adults as provided in Section 4.2 (C), and notwithstanding the limitation set forth in Section 4.2 (A), upon the death of either such individual, membership shall be deemed to be held solely by the survivor, (even if that individual does not meet the membership age requirement) with the same effect as though such membership had been originally issued solely to him or her, as the case may be; provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative. Notwithstanding this provision, joint Members may contract to provide compensation for such automatic transfer of membership.

(E) Withdrawal of Membership. Any Member may withdraw from membership upon payment in full of all debts and liabilities of such Member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe. Written notice of the death of a Member is equivalent to notice of intention to withdraw that Member only. (Survivorship of Joint Memberships is addressed in subparagraph D above.)

(F) Cooperative Right of Option to First Purchase. If a Member desires to leave the Cooperative, he or she shall notify the Cooperative in writing by certified mail of such intention and the Cooperative shall have the option to purchase the Member's Cooperative Interest for a period of sixty (60) days, commencing on the first day of the month following receipt of such written notice of withdrawal or termination.

(G) Waiver of Cooperative Right of Option to First Purchase. The Cooperative may waive its option rights to purchase at any time during the sixty (60) day period by providing a written waiver to be delivered by certified mail to the Member. If the Cooperative fails to exercise its option before the expiration of the sixty (60) day notice period, it waives its right to purchase the Cooperative Interest.

Pursuant to any waiver, the Member may sell his or her membership to any applicant who qualifies and has been duly approved as a Member of the Cooperative. The Cooperative may assist the Member in finding a purchaser. When the prospective new Member has been approved by the Board of Directors, and has executed an Occupancy Agreement, the retiring Member shall be released of his or her obligations provided he or she has paid all amounts due to the Cooperative to date, including any



administrative transfer fees, and any costs to repair, replace or redecorate the retiring Member's Private Dwelling, as deemed reasonably necessary by the Board.

(H) Value of Membership Interest. Whenever a Cooperative Interest is transferred, the Membership Interest is valued at \$ _____. The departing Member is reimbursed the \$ _____ cash value.

(I) Transfer Value of Occupancy Interest for a Private Dwelling. Whenever an Occupancy Interest is transferred, the value of the interest in the Private Dwelling, the Transfer Value, is equal to the Initial Consideration paid by the Member at the time of initial acquisition plus the net value of any Cooperative-approved Improvements (See Section 11.2), plus an amount no greater than 1% of the Initial Consideration paid, with such percent compounded per annum. This is a Limited Equity Cooperative not meant for speculation. The Transfer Value is not a guaranteed price for an Occupancy Interest, but a ceiling price that may be charged to a willing Eligible Buyer. (See Appendix G of the Bylaws for the Transfer Value formula and example.)

Section 4.7 Temporary Absence. If a Member is not occupying the Private Dwelling, the Member is required to make arrangements for the payment of monthly fees and utilities in their absence. Notification of meetings and voting at Board Meetings may be conducted in writing using regular mail during the Member's absence (See Section 5.6).

Section 4.8 Termination for Cause. Violations of any Governing Documents may warrant termination for cause. An equitable procedure for termination as adopted by the Board of Directors shall be used to determine if termination for cause is warranted in each specific incidence. Upon membership termination, the Member shall be required to deliver its Share, Membership Certificate, Occupancy Agreement, and any other documents relating to membership to the Cooperative President. Any legal and other expenses incurred by the Cooperative in connection with the default or termination of Membership and the resale of the Cooperative Interest will be deducted from the Member's Transfer Value. If after a period of one hundred and twenty (120) days the terminated Member has not complied with the requirements herein, the Share, Membership Certificate and Occupancy Agreement may be reissued by the Cooperative to a new Member.

ARTICLE V MEETINGS OF MEMBERS

Section 5.1 Annual Meeting. The first Annual Meeting of the Cooperative shall be held on _____. Thereafter, the Annual Meeting of the Members shall be held once each year in the month of (_____) at the principal office of the Cooperative or at such place and at such time as shall be designated by the Board of Directors in the Notice of Meeting, for the purpose of reviewing reports covering the previous fiscal year, and transacting such other business as may come before the meeting. *Failure to hold an Annual Meeting shall not create a dissolution of the Cooperative.*



Section 5.2 Special Meetings. Special Meetings of the Members may be called by the President or by the Board of Directors or upon a written request signed by at least [*enter a percentage here*] ____ Members, and it shall thereupon be the duty of the President to call such meeting. Special Meetings of the Members may be held at the principal office of the Cooperative or at such place and at such time as shall be specified in the notice of the Special Meeting

Section 5.3 Notice of Members' Meeting. Written or printed notice stating the place, day and hour of the meeting, and in case of a Special Meeting, or where required by these Bylaws, the purpose or purposes for which the meeting is called shall be delivered not less than ten (10) days nor more than sixty (60) days before the date of the meeting, either personally or by mail to the Member at his or her address as it appears on the records of the Cooperative, with postage prepaid, by or at the direction of the President. The failure of any Member to receive notice of an annual or special meeting of the Members if properly delivered shall not invalidate any action which may be taken by the Members at any such Members or Directors meeting.

Section 5.4 Quorum. The presence of a majority of Members at any Annual or Special Meeting of the Members shall constitute a quorum. The presence of either or both persons holding a joint Membership shall constitute the presence of Member.

Section 5.5 Voting. Each Member shall be entitled to one (1) vote on each matter submitted to a vote at a meeting of the Members or of the Board of Directors, regardless of the number of persons living in the Privately Owned Dwelling. At all meetings of the Members, a quorum may include the submission of voting materials by regular mail from an absent Member, pursuant to Section 5.6. All questions shall be decided by a vote of the majority of the Members voting at such meeting in person, except as otherwise provided by law, the Articles of Incorporation, or these Bylaws.

Section 5.6 Absentee Voting.

(A) If a Member is excused from a meeting for an unavoidable reason as determined by the Board, and the Board wishes to provide absentee voting, the Board of Directors shall provide ballots for the vote on the motion to the Member and exact copies of the motion and any resolution to which it pertains. Absent Members may vote on the motion by submitting a signed ballot. If a signed ballot has been submitted on a motion under this section, neither the motion nor any resolution to which it pertains may be amended.

(B) If the Board of Directors makes available ballots for the vote on the motion with exact copies of the motion and any resolution to which it pertains to any Member, but does not comply fully with the requirements of Section 5.6(A), an absent member may vote on the motion by submitting a signed ballot. However, the motion and resolution to which it pertains may be amended at the meeting, and, if the motion or resolution is amended, the ballot is void. The ballot may not be counted on any motion to amend or adopt as amended the motion or resolution.

(C) Members may vote on the election or removal of Directors by signed ballot.



Section 5.7 Order of Business. The order of business at Annual and other meetings of the Members shall be as set by the Board of Directors, unless modified by the affirmative vote of at least a majority of the Members present. All other procedural matters at meetings of the Members shall be governed by the latest edition of *Roberts Rules of Order Newly Revised*.

Section 5.8 Action by Members Without A Meeting. Any action required or permitted to be taken at a meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the Members entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of the Members and shall be filed with the minutes of the proceedings of the Members. Members may meet informally, such as via a telephone conference to discuss action items, and then vote through the consent process described in this section.

ARTICLE VI
DIRECTORS

Section 6.1 Number. The Board of Directors shall be composed of ___ to ___ persons who are Members of the Cooperative.

Section 6.2 Powers and Duties. Except as otherwise designated by the Articles of Incorporation, these Bylaws, and Chapter ___ of the _____ [insert state] Statutes, the business and affairs of the Cooperative shall be managed by the Board of Directors, which shall exercise all powers of the Cooperative as follows:

A) Approval of New Memberships and Purchases. The Directors shall oversee the selection of Members and the transfer of memberships as addressed in Article IV.

B) House Rules. The Directors shall adopt and revise House Rules and Regulations as deemed necessary for the efficient and effective operation of the property and for the safety, benefit and enjoyment of the Members.

C) Annual Budget. The Directors shall prepare and adopt an annual budget, in which there shall be established the annual Cooperative Fee for each Member.

D) Collection of Cooperative Fee. The Directors shall collect the annual Cooperative Fee on a prorated monthly basis including the cost of collection together with reasonable attorney’s fees and costs necessary thereto, deposit the proceeds in bank depositories designated and carry out the administration and operation of the Cooperative, including, but not limited to upkeep of Common Elements.

E) Reserves. The Cooperative shall accumulate and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget that may become necessary during the year shall be charged first against such reserves. If the reserves are inadequate for



any reason, including (without limitation) the nonpayment of any Assessments, the Board of Directors may at any time levy a further Assessment, which shall be assessed against the Members equally and which shall be payable in a lump sum or in installments as the Board may determine. The Secretary/Treasurer shall give notice of any such further Assessment to each Member, giving the reason(s) therefore. All Members shall be obligated to pay such further Assessment either in full with the next monthly installment due or, if the Board of Directors so determines, in a number of equal monthly installments sufficient to make up the shortage within a period ending not later than the end of the then current fiscal year.

F) Personnel or Contractors. The Directors shall designate, hire and dismiss personnel or hire independent contractors necessary for the maintenance, operation and repair of the property and, where appropriate, provision of services for the property and, where appropriate, provision for compensation of such personnel and for the purchase of equipment, supplies and materials to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed part of the property of the Cooperative.

G) Casualty or Unforeseen Damage. The Directors shall make or arrange for repairs, additions, restoration, and improvements to or alterations of the property in accordance with the Bylaws, after damage or destruction by fire or casualty, or as a result of condemnation or eminent domain proceedings, or as may otherwise be necessary from unforeseen natural events.

H) Enforcement. The Directors shall enforce by legal means the provisions of all Governing Documents, including, but not limited to the Articles of Incorporation, these Bylaws, Occupancy Agreements, and the House Rules and Regulations; including the right to remedies of the Cooperative against defaulting Members; act on behalf of the Cooperative with respect to all matters arising out of any eminent domain proceedings; notify the Members of any litigation against the Cooperative; obtain and carry insurance as provided in these Bylaws; and pay premiums therefore and adjust and settle any claims there under.

I) Payment. The Directors shall pay the cost of all authorized services rendered to the Cooperative.

J) Accounting System and Reports. The Directors shall establish and maintain a complete accounting system. All of the Cooperative's accounts shall be examined by a committee of the Board of Directors, which shall render reports to the Board of Directors at least four times a year at regular meetings of the Board of Directors. The Board of Directors shall also after the close of each fiscal year cause to be made an audit review of the accounts, books and financial condition, which shall be approved by the Board of Directors.

K) Borrowing. The Directors shall borrow money on behalf of the Cooperative when required in connection with any instance relating to the operation, care, upkeep and



maintenance of property or other needs of the Cooperative; provided, however, that the consent of a majority of votes represented by the Members at a meeting duly called and held for such purposes in accordance with the provisions of these Bylaws, shall be required to borrow any sum in excess of _____ in the aggregate during any one calendar year.

L) Lending Contracts. The Directors shall enter into recognition agreements or other contracts with institutional lenders who wish to finance loans for Members of the Cooperative, which are secured by the Member's Occupancy Agreement. The Board is authorized to agree and to enter into such agreements on terms the Board deems to be in the best interest of the Cooperative and will treat encumbered Documents as outlined in Section 10.2.

M) Residency Powers. The Directors shall do such other things and acts not inconsistent with the applicable laws of the State of Wisconsin, the Articles of Incorporation, and these Bylaws, which the Board of Directors may be authorized to do by a resolution of the Members.

Section 6.3 Manner of Election, Tenure and Qualifications.

(A) Manner of Election. Directors shall be elected by and from the Members at the Annual Meeting to serve until their successors shall have been qualified and elected.

(B) Tenure. Directors shall serve for a term of ___ years from their election. Elections to fill vacancies in the term shall be held every ___ years and such additional elections shall be held as may be necessary to fill vacancies in unexpired terms occurring by reason of death, resignation or removal. However, the terms of Directors shall be staggered such that two of the Directors taking office in the first year of the Cooperative's existence shall be designated by lot to hold office for an initial one-year term.

(C) Qualifications.

- (1) No Member shall be eligible to become or remain a Director or to hold any position of trust in the Cooperative who is not a bona fide resident of a Private Dwelling built on real property owned by the Cooperative. Notwithstanding this qualification the initial and temporary Directors are not required to be Members.
- (2) When a membership is held jointly by a husband and wife or by two adults, either one, but not both, may be elected a Director.
- (3) No Member who, as of the record date of any Members' meeting at which there will be an election of a Director, is shown on the books of the Cooperative to be in default of his or her obligations to the Cooperative shall be eligible to be a candidate for election to the Board of Directors.



Section 6.4 Vacancies. Subject to the provisions of these Bylaws, with respect to the removal of Directors, vacancies occurring on the Board of Directors shall be filled by a majority vote of the remaining Directors, and Directors thus elected shall serve until the next Annual Meeting of the Members or until their successors shall have been qualified and elected.

Section 6.5 Compensation and Conflicts of Interest. No compensation shall be paid to Directors for their services. No remuneration shall be paid to a Director for services performed by him or her for the Cooperative in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board before such services are taken. A Director may not be an employee of the Cooperative or have any other profit-making relationship. A Director may enter into a contract with the Cooperative on a limited term basis as long as it is not profit-making.

Section 6.6 Removal of Officers and Directors. A Director may be removed upon a majority vote of all Members. Any member of the Board of Directors who is in arrears in assessments and other obligations for more than sixty (60) days shall be deemed to have resigned from the Board of Directors. Such resignation shall be effective upon notice from the Board of Directors to the affected Director or Directors that their resignation has occurred pursuant to the provisions of this paragraph.

Section 6.7 Rules and Regulations. The Board of Directors shall have power to make, adopt, and revise such rules and regulations, not inconsistent with law, the Articles of Incorporation of the Cooperative or these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

Section 6.8 Voting. Each Director shall be entitled to one (1) vote on each matter submitted to a vote at a meeting of the Board of Directors. At all meetings of the Board of Directors, a quorum may include the presence of a Director by submission of voting materials by regular mail from an absent Director, all questions shall be decided by a vote of the majority of the Directors voting at such meeting in person, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these Bylaws. No Member sitting on the Board who is shown on the books of the Cooperative to be in default of his or her obligations to the Cooperative shall be eligible to vote at any meeting of the Board of Directors.

Section 6.9 Absentee Voting.

(A) If a Director is excused from a meeting for an unavoidable reason as determined by the Board, and the Board wishes to provide absentee voting, the Board of Directors shall provide ballots for the vote on the motion to the Director and exact copies of the motion and any resolution to which it pertains, an absent member may vote on the motion by submitting a signed ballot. If a signed ballot has been submitted on a motion under this section, neither the motion nor any resolution to which it pertains may be amended.



(B) If the Board makes available ballots for the vote on the motion with exact copies of the motion and any resolution to which it pertains to any Director, but does not comply fully with the requirements of Section 6.9(A), an absent Director may vote on the motion by submitting a signed ballot. However, the motion and resolution to which it pertains may be amended at the meeting, and, if the motion or resolution is amended, the ballot is void. The ballot may not be counted on any motion to amend or adopt as amended the motion or resolution.

ARTICLE VII MEETINGS OF DIRECTORS

Section 7.1 Regular Meetings. All meetings of the Board of Directors shall be held upon three (3) days written notice, or if a meeting is held at the same time as an Annual Meeting of the Members, it shall occur immediately thereafter at the same location as the annual meeting. At least one regular meeting of the Board of Directors shall be held each year at such time and place as the Board of Directors may provide by resolution. Directors may participate in regular meetings by conference call.

Section 7.2 Special Meetings. Special Meetings of the Board of Directors may be called by the President, or any [insert_a number or percentage] Directors. The person or persons who call Special Meetings of the Board of Directors may fix the time and place for the holding of any special meeting of the Board of Directors. Directors may participate in special meetings by conference call.

Section 7.3 Notice. Notice of the time, place and purpose of any meeting of the Board of Directors shall be provided in writing and delivered personally or mailed, to each Director at his or her address as it appears on the records of the Cooperative. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage prepaid. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except in case a Director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 7.4 Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided that if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 7.5 Manner of Acting. The act of the majority of the Directors present at the meeting at which a quorum is present shall be the act of the Board of Directors.

Section 7.6 Action without Meeting. Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if a consent in writing, setting forth the action taken, shall be signed either before or after such action by all of the Directors. Such consent shall have the same force and effect as a unanimous vote and shall be filed with the minutes of the proceedings of the Board.



ARTICLE VIII
OFFICERS

Section 8.1 Number. The Officers of the Cooperative shall be a President, Vice President and Secretary/Treasurer.

Section 8.2 Qualifications. The permanent President shall be a Director and a Member. The permanent Secretary/Treasurer shall be a Member. The temporary Officers are not required to be Members, but must be temporary Directors, as specified in the Articles of Incorporation. Temporary Officers may hold office until the elections at the first meeting of the Board of Directors, to be held immediately following the first Annual Meeting of the Cooperative on _____, or until such time as a sufficient number of Members exist to fill the three minimum required number of Director positions, whichever is later.

Section 8.3 Election and Term of Office. The Officers shall be elected by ballot, annually by the Board of Directors at the first meeting of the Board of Directors held after each Annual Meeting of the Members. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as possible. Each Officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the Members or until his or her successor shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws, with respect to the removal of Officers.

Section 8.4 Removal. Any Officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby.

Section 8.5 Vacancies. Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Directors for the un-expired portion of the term.

Section 8.6 President. The President shall:

(A) be the principal executive officer of the Cooperative and shall preside at all meetings of the Members and of the Board of Directors;

(B) sign, with the Secretary/Treasurer, Certificates of Membership, the issue of which shall have been authorized by resolution of the Board of Directors, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these laws to some other Officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed;

(C) have supervisory authority over the care and maintenance of the Cooperative property, as directed by the Board of Directors. He or she will hire, oversee, discipline and dismiss persons as needed, or contract for snow removal, lawn care and other maintenance tasks;



(D) have supervisory authority over the social activities available to Members of the Cooperative, as directed by the Board of Directors. He or she will plan activities and oversee any budget for social activities.

(E) in general perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 8.7 Vice-President. In the absence of the President, the Vice-President will perform the duties of the President. In the case of death, resignation or disability of the President, the Board may declare the office vacant and elect any eligible board member President.

Section 8.8 Secretary/Treasurer. In the absence of the President and Vice-President, or in the event of his/her inability or refusal to act, the Secretary/Treasurer shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned to him or her by the Board of Directors.

The Secretary/Treasurer shall be responsible for:

(A) keeping the minutes of the meetings of the Members and of the Board in an accessible format provided for that purpose;

(B) seeing that all notices are duly given in accordance with these Bylaws or as required by law;

(C) the safe keeping of the corporate books and records and affixing a statement to the effect that there is no Cooperative seal to all Membership Certificates prior to the issue thereof, and to all documents, the execution of which on behalf of the Cooperative is duly authorized in accordance with the provisions of these Bylaws;

(D) keeping a register of the names and post office addresses of all Members;

(E) signing, with the President, Certificates of Membership, the issue of which shall have been authorized by the Board or the Members;

(F) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any Member) and at the expense of the Cooperative, furnishing a copy of the Bylaws and of all amendments thereto to any Member upon request; and

(G) maintaining custody of all funds and securities of the Cooperative;

(H) the safe-keeping of the receipt of the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws;



(I) collecting of the Cooperative fees, including the cost of collection together with reasonable attorneys' fees and costs necessary thereto;

(J) paying of the cost of all authorized services rendered to the Cooperative;

(K) maintaining the financial records of the Cooperative, including detailed accounts in chronological order of the receipt and expenditures affecting the property and administration of the Cooperative and specifying the expense of maintenance and repair and any other expense incurred. Such books and vouchers accrediting the entries thereupon shall be available for examination by the Members and if any, their duly authorized agents or attorneys, during general business hours on working days at the times and in all manner set and announced by the Board of Directors for the general knowledge of the Members. All books and records shall be kept in accordance with generally accepted accounting practices and standards consistently applied; and

(L) in general performing all duties incident to the office of Secretary/Treasurer and such other duties as from time to time may be assigned to him or her by the Board.

Section 8.9 Manager. The Board of Directors may appoint a Manager who shall not be required to be a Member of the Cooperative. The Manager shall perform such duties as the Board of Directors may from time to time require of him or her, and shall have such authority as the Board of Directors may from time to time vest in him or her. Compensation of the Manager shall be fixed by the Board of Directors.

Section 8.10 Bond of Officers. The Board of Directors may require the Secretary/Treasurer or any other Officer of the Cooperative charged with responsibility for the custody of any of its funds or property, to give bond in such sum and with such surety as the Board of Directors shall determine and at Cooperative expense. The Board of Directors in its discretion may also require any other Officer, agent or employee of the Cooperative to give bond in such amount and with surety as it shall determine and at Cooperative expense.

Section 8.11 Compensation and Conflicts of Interest. No compensation shall be paid to Officers for their services as Officer. No remuneration shall be paid to an Officer for services performed by him or her for the Cooperative in any other capacity, unless a resolution authorizing such remuneration shall have been adopted by the Board before such services are undertaken. An Officer may not be an employee of the Cooperative or have any other profit-making relationship. An Officer may enter into a contract with the Cooperative on a limited term basis as long as it is not profit-making.

Section 8.12 Reports. The Officers of the Cooperative shall submit at each Annual Meeting of the Members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.



ARTICLE IX
CONTRACTS, CHECKS, DEPOSITS

Section 9.1 Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any Officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Cooperative, and such authority may be general or continued to a specific instances.

Section 9.2 Checks, Draft, Etc. All checks, drafts or other orders for the payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such Officers, agent or employees of the Cooperative and in such manner as shall be *determined* by resolution of the Board of Directors.

Section 9.3 Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of the Directors may select.

ARTICLE X
LIENS AND ENCUMBERED OCCUPANCY INTERESTS

Section 10.1 Lien for Assessments by the Cooperative or Other Entities.

(A) Every assessment made against any Cooperative Interest pursuant to these Bylaws is a lien against that interest, which lien shall be effective as of the date such assessment is made. Any Officer may file or record such other or further notice of such lien or such other document with respect thereto as may be required by law to confirm the establishment and priority of such lien.

(B) In any case where an assessment against a Cooperative Interest is payable in installments, upon a default by such Member in the timely payment of any two (2) installments, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated at the option of the Directors, and the entire balance of that assessment may thereupon be declared due and payable in full by the service of notice to that effect upon the defaulting Member by any Officer.

(C) The lien for assessments may be enforced and foreclosed in any manner provided by law by any proceeding in the name of the Cooperative, or by any Officer(s) acting on behalf of the Cooperative. During the pendency of such proceeding the Member shall be charged by the Cooperative with a reasonable rental for the Private Dwelling for the period from the initiation of such proceeding until satisfaction of or sale pursuant to any judgment or order obtained in such proceeding. The plaintiff in such proceeding shall have the right to the appointment of a receiver if available under law.

Section 10.2 Liens Against Occupancy Interests by Members. Each Member may borrow against his or her interest in his or her right of Occupancy, pursuant to the



provisions of Section 4.1(E) regarding liability and Section 6.2(L) regarding Lending Contract. The Cooperative shall treat encumbered Occupancy Interests as it does any other Occupancy Interest so long as the Member borrowing against his or her interest is not in arrears to such an extent that a foreclosure would be imminent. The Lending Contract outlined in Section 6.2(L) shall provide for notice to the Cooperative of any pending foreclosure action. In the event of an eminent foreclosure, the Cooperative may exercise its Termination for Cause rights under Section 4.8.

ARTICLE XI

ADDITIONS, ALTERATIONS, AND IMPROVEMENTS

Section 11.1. Additions, Alterations or Improvements by Board of Directors.

Whenever in the judgment of the Board of Directors it is desirable to make additions, alterations or improvements to the Common Elements costing in the aggregate more than \$_____ during any period of twelve consecutive months, the making of such additions, alterations or improvements shall be approved by a Majority Vote at a meeting of the Members. Notwithstanding the foregoing, if the Board determines that additions, alterations or improvements to the Common Elements are exclusively or substantially exclusively for the benefit of the Members requesting the same, the cost thereof shall be assessed exclusively against such requesting Members in such proportions as they jointly approve or, if they are unable to agree thereon, in such proportions as may be determined by the Board.

Section 11.2 Additions, Alterations or Improvements by Members. No Member shall make any structural addition, alteration or improvement in or to his Personal Dwelling or Site, or any addition, alteration or improvement in or to any mechanical, electrical, plumbing or other system, without the prior written consent of the Board. Prior written consent is not required for emergency repairs.

No Member shall paint or alter the exterior of his Private Dwelling, including (without limitation) the doors and windows thereof, nor shall any Member paint or alter any Common Element, without the prior written consent of the Board. The Board shall answer any written request by a Member for approval of a proposed structural addition, alteration or improvement to such Member's Private Dwelling within sixty (60) days after receipt of such request.

Since this is a Limited Equity Cooperative, the Board will make determinations whether an addition, alteration, or Improvement shall be granted based on the criteria of maintaining long-term affordability. The Cooperative through the use of a certified Appraiser chosen by the Board shall determine the value of any approved addition, alteration, or Improvement ("Net Improvement Value"), for purposes of calculating a resale price under the Transfer Value formula.

If any application to any governmental authority for a permit to make any such addition, alteration or Improvement in or to any Private Dwelling requires execution by or on behalf of the Cooperative, and provided consent has been given by the Board, then the



application shall be executed on behalf of the Cooperative only by the President or such other Officer as the Board may by resolution designate, without, however, incurring any liability on the part of the Cooperative or any Officer(s) to any contractor, subcontractor or materialman on account of such addition, alteration or Improvement, or to any Person having claim for personal injury or property damage arising there from.

Section 11.3 Repairs and Improvements. The Directors shall make or arrange for repairs, additions, restoration, and Improvements to or alterations of the property in accordance with these Bylaws, after damage or destruction by fire or casualty, or as a result of condemnation or eminent domain proceedings, or as may otherwise be necessary.

ARTICLE XII INSURANCE AND DAMAGE RECONSTRUCTION

Section 12.1. Authority to Purchase.

(A) Except as otherwise provided in Section 12.5, all insurance policies relating to the Private Dwellings, Improvements and Common Elements shall be purchased by the Cooperative. Neither the Cooperative, nor any Officer(s) shall be liable for failure to obtain any coverages required by this Article if such failure is due to the unavailability of such coverages from reputable insurance companies, or if such coverages are so available only at demonstrably unreasonable cost. Under such a scenario, the Board of Director will explore Cooperative self-insurance. The Secretary/Treasurer shall promptly furnish to each Member written notice of the procurement, subsequent changes in, and the termination of all insurance coverage obtained on behalf of the Cooperative.

(B) Each such policy shall provide, to the extent available at reasonable rates, that:

(1) the insurer waives any right to claim by way of subrogation against the Cooperative, the Officers, the Members, and their respective agents, employees and invitees, and, in the case of the Members, their households;

(2) such policy shall not be cancelled, invalidated or suspended due to the conduct of any Officer(s), Member(s), or any invitee, agent, officer, or employee of any of the foregoing without a prior demand in writing to the Board of Directors that the defect be cured, followed by failure to so cure the defect within sixty (60) days after such demand; and

(3) such policy shall not be cancelled or substantially modified for any reason (including nonpayment of premium) without at least sixty (60) days prior written notice to the Board of Directors.

(C) All policies of insurance shall be written by reputable companies licensed to do business in Wisconsin.



Section 12.2. Physical Damage Insurance.

(A) The Board of Directors shall obtain and maintain blanket, “all-risk” form policy of fire insurance with extended coverage, vandalism, malicious mischief, windstorm, debris removal, cost of demolition and water damage endorsements, insuring all of the Private Dwellings, Fixtures, Improvements, and all of the Common Elements alterations. Such insurance shall cover the interest of the Cooperative, the Board of Directors and all Members, as their interest may appear, and shall be in an amount equal to one hundred percent (100%) of the then current replacement cost of the Private Dwelling (exclusive of foundations and other items normally excluded from such coverage), without deduction for depreciation, such amount to be determined annually by the Board of Directors with the insurance company affording such coverage, and (if the Board so resolves) a qualified appraiser of real estate.

(B) Such policy shall also provide:

(1) a waiver of any right of the insurer to repair, rebuild or replace any damage or destruction if a decision is made pursuant to Section 12.12 not to do so and, in such event, that the insurer shall pay on the basis of the agreed amount endorsement;

(2) the following endorsements (or equivalent): (i) “no control” (to the effect that coverage shall not be prejudiced by any act or neglect of any Member, occupant, or other Person if such act or neglect is not within the control of the insured, nor by any failure of the insured or any other Person to comply with any warranty or condition concerning any portion of the Private Dwellings not controlled by the insured); (ii) “contingent liability from operation of building laws or codes”; (iii) “increased cost of construction” or “cooperative replacement cost”; and (iv) “agreed amount” or limitation of co-insurance clause;

(3) that any “no other insurance” clause excludes individual Members’ policies from its operation so that the physical damage policy purchased on behalf of the Cooperative shall be deemed primary coverage and any individual Members’ policies shall be deemed excess coverage, and in no event shall the insurance coverage obtained and maintained on behalf of the Cooperative hereunder be brought into contribution with insurance purchased by individual Members or their Mortgagees unless otherwise required by law; and

(4) that a duplicate original of such policy, all renewals thereof, and any sub-policies or certificates and endorsements issued there under, together with proof of payment of premiums, shall be delivered by the insurer to any Mortgagee whose request therefore is received by the insurer at least thirty (30) days prior to expiration of the then current policy.

Section 12.3. Liability Insurance. The Board of Directors shall obtain and maintain comprehensive general liability insurance and property damage insurance in such limits as the Board may from time to time determine, insuring the Cooperative, each



Officer, and each Member against any liability to the public or to the Members (and their invitees, agents employees and members of their households) arising out of or incident to the ownership and/or use of the Common Elements, Private Dwellings, or Improvements. Such insurance shall be issued on a comprehensive liability basis and shall contain: (i) a cross liability endorsement under which the rights of a named insured shall not be prejudiced with respect to his action against another named insured; and (ii) hired and non-owned vehicle coverage.

The Board shall review such limits once a year, but in no events shall such insurance be less than One Million Dollars (\$1,000,000) covering all claims for bodily injury or property damage arising out of one occurrence.

Section 12.4 Other Insurance. The Board of Directors shall obtain and maintain:

(A) **Directors and Officers Insurance.** If the Board of Directors deems it necessary, the Cooperative shall obtain Directors and Officers Insurance. This will include adequate fidelity coverage to protect against dishonest acts on the part of Officers, agents and employees of the Cooperative and all others who handle or are responsible for handling funds of the Cooperative. Such fidelity bonds shall: (i) name the Cooperative as an obligee; (ii) be written in an amount not less than one-half (1/2) of the total annual assessments for Common Expenses for the then current fiscal year; and (iii) contain waiver of any defense based upon the exclusion of Persons who serve without compensation from any definition of “employee” or similar expression. This will also include, without limitation, coverage of all Officers when acting in role of Officers, against libel, slander, false arrest, invasion of privacy, and errors and omissions.

(B) **Flood Insurance.** If required by any governmental or quasigovernmental agency, flood insurance shall be obtained in accordance with the then applicable regulation of such agency.

(C) **Workmen’s Compensation Insurance.** If and to the extent necessary to meet the requirements of law, workmen’s compensation insurance shall be obtained.

(D) **Special Events/Host Liquor Liability Coverage.** On an as needed basis, the Cooperative shall obtain special events coverage, or the equivalent, with respect to events sponsored by the Cooperative.

(E) **Other Insurance.** Such other insurance as the Board of Directors may determine or as may be required from time to time by resolutions of the Cooperative shall be obtained.

Section 12.5 Separate Insurance By Members. Each Member shall be required, at his or her own expense, to obtain insurance for his own personal property contained in the Private Dwelling and Improvements under coverage normally called “tenant’s improvements and betterments coverage”, and for his own benefit, including insurance coverage for his personal liability. No Member shall acquire or maintain insurance



coverage, however, so as to decrease the amount, which the Cooperative may realize under any insurance policy, or to cause any insurance coverage in favor of the Cooperative to be brought into contribution with insurance coverage obtained by a Member. All policies obtained by Member individually shall contain waivers of subrogation. No Member shall obtain separate insurance of the Private Dwelling or Improvements except as provided in this section.

Section 12.6 Insurance Proceeds Held in Trust. All physical damage insurance policies purchased by or on behalf of the Cooperative shall be for the benefit of the Cooperative and the Members, as their respective interests may appear, and shall provide that all proceeds of such policies shall be paid in trust to the Board to be applied pursuant to the terms of this Article.

Section 12.7. Board of Directors as Agent. The Board of Directors is hereby irrevocably constituted as agent for the Cooperative, each Member, other named insureds and their beneficiaries, and any other holder of a lien or other interest in the Private Dwelling, to adjust and settle all claims arising under insurance policies purchased by the Board and to execute and deliver releases upon the payment of claims. As Agent, the Board shall appoint on a yearly basis one Officer the responsibility for procurement and monitoring of insurance coverage.

Section 12.8 Cost of Insurance and Deductibles. The Cooperative shall be responsible for paying all premiums for insurance, except for “Separate Insurance by Members” as covered in Section 12.5, which shall be provided by, and paid for by, each Member. Each Member shall be responsible for his or her prorated share of the insurance premiums for general liability insurance and other general Cooperative insurance included in the Cooperative Fee, covered in Section 4.3. In addition, as required under Section 4.1(C), each Member is responsible for the full cost of physical damage and liability insurance corresponding to the Private Dwelling occupied by the Member, and shall reimburse the Cooperative for that premium. Each Member is responsible for all deductibles corresponding to insurance for the Private Dwelling and any Separate Insurance by Members. The Cooperative shall be responsible for all deductibles corresponding to general liability insurance and other general Cooperative insurance. The Cooperative may collect this deductible from Members on a prorated basis as part of the Cooperative Fee.

Section 12.9 When Repair and Reconstruction are Required. Except as otherwise provided in Section 12.12, in the event of damage to the Private Dwellings as a result of a casualty, the Board shall arrange for and supervise the prompt repair and restoration thereof, including any damaged Private Dwellings and authorized Improvements but not including anything installed in any Private Dwelling by any Member. Any such repair and restoration shall be substantially in accordance with the original construction and installation, subject to any modifications required by changes in applicable laws, ordinances, and other governmental regulations, and using to the extent feasible such contemporary materials and technology as may then be available. Notwithstanding the foregoing, each Member shall have the right to supervise the redecoration of his own Private Dwelling.



Section 12.10 Cost Estimates. Immediately after a fire or other casualty causing damage to Private Dwellings or Improvements, the Board shall obtain reliable and detailed estimates of the costs of the repair and restoration contemplated by Section 12.9 to a condition as good as that existing before such casualty. Such cost shall include professional fees and premiums for such bonds as the Board of Directors as Insurance Trustee may determine to be necessary.

Section 12.11 Insufficiency of Insurance Proceeds. If the proceeds of insurance are not sufficient to defray such estimated costs of reconstruction and repair, or if upon completion of reconstruction and repair the insurance proceeds are insufficient for the payment of the costs thereof, the amount necessary to complete such reconstruction and repair may be obtained from the appropriate reserve for replacements and/or a special Assessment therefore may be levied, as the Board of Directors shall decide.

Section 12.12 When Repair or Reconstruction Is Not Required. If the Board of Directors resolves not to repair insubstantial damage to the Common Elements, the Board of Directors shall cause to be removed all debris, with the site of the damage restored to a condition compatible to the extent feasible with the remainder of the Building, and the balance of any insurance proceeds received on account of such damage shall be credited to all Members in equal proportion against their respective liabilities for assessments then due or thereafter becoming due.

ARTICLE XIII WAIVER OF NOTICE

Any Member or Director may waive, in writing, any notice of meetings required to be given by these Bylaws.

ARTICLE XIV FISCAL YEAR

The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the last day of December of the same year.

ARTICLE XV SEAL

There shall be no Cooperative seal. For all instruments on which a seal is required by law, the Secretary/Treasurer shall include a statement to the effect that the Cooperative has no seal.



ARTICLE XVI
LIABILITY AND INDEMNIFICATION

Section 16.1 Nonliability of the Cooperative. The Cooperative shall not be liable for any failure of water supply or other utilities or services of any nature to be obtained or paid for by the Cooperative, or for injury or damage to any Person or property caused by natural elements or by any Member or other Person, or resulting from electricity, water, snow or ice which may leak or flow from any portion of the Common Elements or from any pipe, drain, conduit, structure or other apparatus. No diminution or abatement of any assessment for Common Expenses shall be claimed or allowed for any reason whatsoever, including (without limitation) inconvenience or discomfort arising from improper Upkeep or lack of Upkeep, of the Common Elements or from any action taken by the Cooperative, any Officer(s), or any Member(s) to comply with any law, ordinance or other governmental regulation or order.

Section 16.2 Indemnification. The Cooperative shall indemnify an Officer or Director against liability and expenses incurred by that Officer or Director to full extent permitted by _____ Statute Sections _____ as those sections may be amended from time to time. The Cooperative may maintain insurance covering this duty to indemnify.

ARTICLE XVII
REPEAL OR AMENDMENTS OF BYLAWS

These Bylaws may be altered, amended or repealed by a vote of [____%] of the Members of the Cooperative voting at any Annual or Special Meeting legally held; provided, however, that these Bylaws shall not be altered, amended or repealed unless notice of such proposed alteration, amendment or repeal shall have been contained in the notice of such meeting.

Duly signed by the Board of Directors on _____

Signed by Directors _____





APPENDIX C

Letter of Intent / Offer to Purchase

Please note that this letter includes references to an Affordable Housing Grant that was received by Adams-Friendship Cooperative Homes. We are including these references as a guideline for handling grant funds.

Offer to Purchase a Cooperative Interest

As a Member of _____

RE: Offer to Purchase a Cooperative Interest

I am pleased to present this letter of intent to the Incorporators of the _____, which sets forth, in general, the substantive terms and conditions under which I would become a Member of the _____. I understand that this Cooperative has been formed for purposes of providing affordable land for the primary purpose of providing the opportunity to establish rural residential homes (“Private Dwellings”) for its senior Members within which its Members may age in place in ____ County, _____. I understand that ____ single-family residential Private Dwellings may be built on the land provided by the Cooperative. I have received, reviewed and understand the terms of the Articles of Incorporation, Bylaws, and Occupancy Agreement each containing rules and regulations to which I must abide as a Member. I understand the terms outlined in this letter as merely a summary of conditions that I must follow when I become a Member.

I further understand that this Cooperative is established as a limited equity model, which provides benefits to me, as well as to future Cooperative Members. In due consideration for the limited equity possible upon transfer of my Occupancy Interest, I understand that I have received the exclusive use of an affordable home, membership in a Cooperative which may furnish support services, and the benefit of Affordable Housing Grant funds.

1. Membership and Occupancy.

Subject to the conditions set forth below, the undersigned intend(s) to become a Member of _____. It is my understanding that a total of _____ memberships will be issued by the Cooperative and more than one person may hold each membership. It is my understanding that there shall be no more than _____ voting Members in the Cooperative, as each voting Member will correspondingly relate to each Private Dwelling on the Cooperative’s property. I understand that, subject to certain exceptions, membership in the Cooperative is limited to persons _____ years of age or older with qualifying incomes as outlined in the Bylaws (see definition of “Eligible Buyer”), because it is the intent of the Cooperative to provide for a location (land) for affordable housing for the aging.



It is my understanding that membership status is granted upon purchase of a Certificate of Membership in the Cooperative. I further understand that the right to exclusive occupation of a Private Dwelling is granted upon the purchase of an Occupancy Agreement. Lastly, I understand that my right to vote in the Cooperative is granted upon purchase of a Cooperative Share. Collectively, these three components make up my Cooperative Interest.

Share	Total Cost \$1 - par value	Grant Funds	My Cost
(A) Membership interest: Land			
(B) Membership interest: alterations to common elements (excavations, driveways, fill, landscaping, etc.)			
Total membership interest			
Occupancy interest			

Part of the cost of the Common Elements and my Private Dwelling will be covered by the Affordable Housing Program (AHP) grant. It is my understanding that this subsidy to my total costs is _____.

I understand that the value of my Membership Interest in the Cooperative shall be _____% of the purchase price of \$_____ (equal to _____) for the land located at _____. In addition to the land, the necessary landscaping, utility hookups driveways and walkways (hereinafter "Common Elements") are provided by the AHP grant funds for a value of approximately \$_____. I understand that the value of my Occupancy Interest is the Initial Acquisition Price, as described below, and that the grant funds apportioned to this interest are \$_____.

I understand that the entire AHP Grant Value of my Cooperative Interest will be passed on to the next resident of my Private Dwelling. If I was to sell any of my Cooperative Interest to anyone other than an Eligible Buyer, prior to five years after the date I enter into my Occupancy Agreement, in violation of the Governing Documents of the Cooperative, I understand that I will have to pay a penalty.¹ The penalty shall be repaid to the funder from any net gain realized upon the sale of the Cooperative Interest and transfer of occupancy of the Private Dwelling after deduction of sales expenses.

¹That penalty will be an amount equal to a pro-rata share of the direct subsidy, reduced for every year that I occupied the Private Dwelling (this is an amount equal to _____% of the amount of the total Grant of \$_____ representing \$_____ for each Cooperative Interest reduced by 1/60th for each month from the date of such first purchase).



I further understand that the increased equity I can potentially gain from the sale of my Occupancy Interest is limited by a Transfer Value formula based upon the consideration I have received from the Cooperative model and from the benefit of AHP grant funds. I also understand that the Cooperative is not guaranteeing a Transfer Value, rather the price I may charge is limited, and I must find a willing buyer to purchase my Occupancy Interest for a mutually agreed upon price not to exceed the Transfer Value. I understand the Transfer Value to work as follows:

Transfer Value Formula

Initial Acquisition Price (IAP)

- + Up to 1% of IAP compounded per annum for ____ years
(# of years I occupied the private dwelling)
- + Net value of improvements
- = Highest price I may charge for my occupancy interest

This formula does not include the grant value of \$8,850, which was used to pay for the initial building costs exclusive of the IAP.

Example of the Transfer Value Formula

Jane purchases her Occupancy Interest for the initial acquisition price of \$75,000, lives in the Private Dwelling for 10 years, and adds a Cooperative-approved toolshed, with a net improvement value of \$500 (even though it cost \$900 to build).

Inputting the numbers into the formula:

- \$75,000.00 Initial acquisition price
- + 7,846.66 Up to 1% of IAP compounded per annum for 10 years
- + 500.00 Net value of improvements
- = \$83,346.66 Highest price Jane may charge for her occupancy interest

I understand that I must be below the income guidelines of the AHP grant and that every new resident within the first five years must also meet that guideline as defined by “Eligible Buyer” in the Bylaws.

I understand that I will have assigned to me a building Site. I understand that I may convey my preference as to which Site that I would prefer, but I understand that the Cooperative will ultimately determine the Site selection. I further understand that all Private Dwellings on the Cooperative property shall conform to certain restrictions of the attached universal design, which have been established by the Cooperative. It is my understanding that the intent of the Cooperative is to have _____ other memberships granted and that it is the intent of the Cooperative that each Member have the same obligations as me by building a Private Dwelling on one of the Sites located on the Cooperative property, subject to the restrictions as established by the Cooperative.



1. Development of Property.

The undersigned agrees to develop one of ____ sites by constructing a Private Dwelling on a site in conjunction with the Cooperative. If appropriate, I intend to work with a builder to build my Private Dwelling at or around the same time that other Members of the Cooperative are building their homes so that the construction is more convenient and affordable. I understand that the Cooperative will retain fee simple ownership of this Private Dwelling but that as a Member entering into an Occupancy Agreement, I will obtain exclusive occupancy rights for a term of 99 years, as specified in the Occupancy Agreement.

2. Purchase Price, Payment, Evidence, and Future Sale for Share, Membership, and Occupancy Interests.

A. Share Price.

The purchase price of the Share in the Cooperative is \$1.00. Purchase of this Share entitles me to vote in the Cooperative. I will receive a Stock Certificate as proof of this purchase.

B. Membership Interest Price.

The purchase price for the Membership Interest is divided into two portions. The portion related to the land is intended to be approximately ____% of the common costs for the land, which is \$_____ minus the AHP grant that I may receive which is allocated to the land. The total cost is \$_____. The AHP grant will provide \$_____. I will provide \$____. I will receive a Membership Certificate as proof of this purchase.

The Purchase Price would be (\$_____), payable in cash at the time this Letter of Intent is executed by the Undersigned.

The Membership Interest related to the alterations to the land, such as excavation and the driveway cost \$_____, all of which is covered by Grant funds.

C. Occupancy Interest Price.

The purchase price for the Occupancy Interest shall be the Initial Acquisition Price (IAP) as defined in the Bylaws. I understand that the Grant will provide \$_____ to pay the builder, making my IAP the total building cost minus the grant.

Within ____ business days the following two items will be provided to an Officer of the Cooperative:

- (1) Evidence of interim or long term financing which may include the sale of existing property, evidenced by a contract with a realtor; and



- (2) Evidence of a contract with a builder incorporating the 15 elements of universal design.

I will receive an Occupancy Agreement as proof of this purchase at the time that I take physical possession of my completed Private Dwelling. It will outline rights and responsibilities in addition to the Bylaws and other Cooperative Governing Documents.

B. Closing date for Sale of Occupancy Agreement.

The Closing, which will provide me with access to my exclusive Private Dwelling, is intended to be before _____ [insert date]. The Cooperative land was purchased on _____ [insert date]. The “Closing Date” or “Closing” may be extended by the mutual agreement of the intended Member and the Cooperative.

C. Future Sale.

I understand I will be able to sell my Occupancy Interest with a limitation of no greater than a 1% increase in value, compounded per annum, based on my initial investment for each year thereafter (as illustrated in the Transfer Value Formula on page 3). The Cooperative is not guaranteeing that I will receive this increased equity; rather as a Cooperative Member, I understand I may sell my Occupancy Interest to an Eligible Buyer for no more than the ceiling price provided. The actual price will be determined by negotiations between a willing buyer and myself.

All AHP subsidies will stay with the Cooperative.

The net value of any authorized Additions, Alterations, or Improvements as determined by a certified Appraiser will be included in the sales price pursuant to Bylaw Section 11.2.

Sale of the Occupancy Interest shall be to an Eligible Buyer, as defined in the Bylaws.

This letter of intent will expire at _____ unless a fully executed acceptance is received by that time.

Very truly yours,

(Signatures)







APPENDIX D

Certificate of Membership and Share

CERTIFICATE OF MEMBERSHIP

\$ _____ Value

Certificate 1 of _____ [insert number of memberships]

\$ _____ Cash Value

It is hereby recognized that _____ has/have been accepted as a Member of _____ Cooperative (hereinafter "the Cooperative"), a cooperative corporation organized and incorporated under Chapter ____ of the _____ statutes, located on _____, in _____, _____ County, _____ ("the Premises").

From this date forth, until such time as said Membership is transferred or terminated under Article IV of the _____ Cooperative Bylaws ("Bylaws"), _____ will possess all the rights and duties applicable to a registered holder of a Membership in the Cooperative, such as the right to use the collectively-owned Cooperative land, as specified in the Governing Documents, including, but not limited to the Bylaws.

In consideration for such membership, the undersigned shall pay \$ _____. The cash value of this Certificate of Membership is \$ _____.

As a condition precedent of membership in the Cooperative the undersigned has purchased a share of stock of the Cooperative and has been approved by the Cooperative Board of Directors as fulfilling the prerequisites of membership, as provided in the Bylaws, Article IV, Sec. 4.2. Membership is subject to the rights and responsibilities described in the Bylaws and other Governing Documents.

The Cooperative shall have a lien on the Membership Interest herein granted, in order to secure payment of all sums which shall be due or become due from the holders thereof for any reason whatsoever, including sums due under any Occupancy Agreement. Aside from the Cooperative's lien rights, this Membership Certificate may not be encumbered.

This ____ day of _____, 200__.

Member

President of the Cooperative

Secretary/Treasurer of the Cooperative
The Cooperative has no seal.







APPENDIX E

Occupancy Agreement

THIS AGREEMENT is made and entered into on this _____ day of _____, by and between _____ Cooperative of _____, _____ County, Wisconsin (hereinafter referred to as the “Cooperative”), a _____ cooperative association having its principal office and place of business at _____ and _____ [insert Member’s name(s)], (hereinafter referred to as “Member”) who will be residing in the Private Dwelling located at _____.

WITNESSETH:

WHEREAS, the Cooperative has been formed for Eligible Buyers as defined in § 3.1 of the Cooperative Bylaws for the purpose of acquiring, owning, and operating a cooperative housing project (hereinafter referred to as the “Property”), to be located at _____, with the intent that each Member shall have the right to occupy an exclusive Private Dwelling and occupy the collectively-owned land thereof under the terms and conditions hereinafter set forth; and

WHEREAS, the purpose of the Cooperative is to furnish its Members with affordable land and, for exclusive use, Private Dwellings and Improvements within which it’s Members may age in place. The purpose is also to maintain ongoing affordability through the use of a limited equity model so that future Cooperative Members will benefit from this purpose as well. The increase in equity is limited based upon valuable consideration granted to each Member; the Cooperative provides each Member with the exclusive use of an affordable home, possible support services, and the benefit of grant funds in exchange for limitations on the future sales price of the Occupancy Interest.

The Cooperative may also furnish other Membership support services, and engage in any activity within the purposes for which Cooperatives may be organized under Wisconsin law, and all such activities shall be deemed within purposes, subject to express limitations as any be imposed under these Bylaws. The Cooperative shall at all times be operated on a cooperative, non-profit basis for the mutual benefit of its Members; and

WHEREAS, the Member is, or simultaneously with the execution hereof, shall become, an owner and holder of a Certificate of Membership of the Cooperative (hereinafter “Membership Certificate”) and an owner and holder of a Share in the Cooperative, and shall cause a Memorandum of Occupancy Agreement, in order to produce notice of the rights and responsibilities related to the Member’s Occupancy Interest as outlined in this Occupancy Agreement.



WHEREAS, the Member must adhere to the _____ Cooperative Bylaws (“Bylaws”) and all Governing Documents. The Bylaws provide definitions applicable to this Agreement.

WHEREAS, in consideration of the exclusive right to occupy a Private Dwelling, the undersigned shall pay the Initial Acquisition Price (IAP) to the builder, if this is the first sale of the Private Dwelling, or the Transfer Value to the Cooperative, for any subsequent sale, pursuant to the Bylaws (both of which equal the Initial Consideration). The Member further recognizes that the future sales price will be based upon his or her Initial Consideration of \$_____. (*An explanation of the Transfer Value formula is provided in Appendix A attached hereto and should be incorporated as part of this Agreement.*)

WHEREAS, the Member has a bona fide intention to reside in the Dwelling on Site _____.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the Cooperative hereby grants to the Member and the Member hereby acquires from the Cooperative, except as hereafter provided, an Occupancy Interest, which provides exclusive occupancy to a Private Dwelling and Improvement located on Site _____, with a Parcel Identification Number _____, as shown on the Plat of Survey as attached hereto as Appendix B.

Said use is limited to occupancy by the Member (except as may otherwise be permitted in accordance with the provision of the Bylaws or House Rules and Regulations), which includes the right to use of the Improvements which are allocated exclusively to the Member assigned to the Private Dwelling on the Site specified above, and which includes the right to the use of the personal property in the Dwelling on the date hereof, for a term commencing on [insert date], terminating and lasting for 99 years and renewable under the terms and conditions provided herein, unless terminated by death, expulsion, withdrawal, or any other means.

Under the terms of the Occupancy Agreement:

1. Occupancy of Private Dwelling and Improvements on Site by Member. Member has exclusive occupancy rights to the Private Dwelling and Improvements located on Site _____.

2. Duties Regarding Upkeep and Management.

(A) Cooperative Duties. The Cooperative shall: (i) provide necessary management and administration of the Cooperative; (ii) provide for the payment of all taxes and assessments levied against the Cooperative; (iii) procure and provide for the payment of fire and extended coverage and public liability insurance and provide purchase of such other insurance or self-insurance, coverage and protection as the



Board may deem advisable, including insurance on the Private Dwelling, but such insurance or self-insurance shall NOT cover Member's personal property, including alterations, betterments in, on, or appurtenant to the premises, nor does it cover personal liability; (iv) set up reserves to cover contingencies, repurchases, and future costs of replacements; and (v) subject to different provisions that may be contained in the rules from time to time, pay for all current repairs, maintenance and replacements on the items provided by the Cooperative, as outlined in the General Maintenance Program below.

(B) Member Duties. Water, sewer, electricity, gas, telephone, cable TV, satellite TV, and any other utility charges will be individually metered and billed, and the Member shall be solely responsible for and pay for these charges directly to the appropriate utility companies. Property taxes for the Private Dwelling will be individually billed and the Member shall be responsible for and pay for these taxes directly without delinquency.

3. Maintenance and Repairs.

(A) General Maintenance Program. The Cooperative shall have the exclusive authority to direct from time to time the manner of maintaining, repairing, and replacing Common Elements and the equipment in the Common Elements owned by the Cooperative. The expense of making all repairs or taking any other action by negligence of Member or of persons occupying or visiting in the premises shall be paid entirely by Member.

(B) Member Maintenance Responsibilities. Member agrees to repair and maintain Member's Private Dwelling at his or her own expense as follows: all exterior, interior repairs, replacements, and upkeep of whatever kind or nature. Based upon the limited equity purpose of the Cooperative, additions, alterations, and improvements to major systems or external features must be approved by the Cooperative and are governed by Bylaw Article XI.

4. Sale of Occupancy Interest to Eligible Buyers. Upon receipt of notice of intent to sell from a member, the Cooperative has the Right of First Option to Purchase pursuant to Bylaw Section 4.6(F). Despite this option, or in the event that the Cooperative does not exercise its option for any reason, it is the Member's responsibility to find an Eligible Buyer for the Occupancy Agreement.

5. Sale is Limited to an Eligible Buyer. The Cooperative shall evaluate all interested buyers for the Private Dwelling Improvements and select an Eligible Buyer, as defined in Sections 3.1 of Bylaws which states:

Eligible Buyer means a person who is aged 55 years or older at the time of application.



An Eligible Buyer must also meet the following criteria as outlined in Section 4.2 of the Bylaws:

(A) Membership shall be limited to an Eligible Buyer, which includes persons aged 55 years or older at the time of application with qualifying incomes.

(B) No person may own more than one (1) Membership in the Cooperative.

(C) A husband and wife or any two adults may jointly apply for Membership and their application for a joint Membership may be accepted in accordance with the foregoing provisions of this section which provides:

(1) either the husband or wife, or one of the two adults satisfies the age requirements of Section 4.2 (A); and

(2) both the husband and wife, or in the case of two adults, both adults, comply jointly with the income provisions of Section 4.2(A) regarding household income.

6. Limited Equity; Transfer Value Price. Consistent with the limited equity purpose of the Cooperative in accordance with Section 2.1 of the Bylaws, the Transfer Value price of the Occupancy Interest shall be calculated in accordance with Section 4.6 (I) of Bylaws:

Transfer Value of Occupancy Interest for a Private Dwelling. Whenever an Occupancy Interest is transferred, the value of the interest in the Private Dwelling is equal to the Initial Consideration paid by the Member at the time of initial acquisition plus the net value of any Cooperative-approved improvements (see Section 11.2), plus an amount no greater than 1% of the Initial Consideration paid, with such percent compounded per annum. This is a limited equity Cooperative not meant for speculation. The Transfer Value is not a guaranteed price for an Occupancy Interest, but a ceiling price that may be charged to a willing Eligible Buyer. (See Appendix A for the Transfer Value Formula and example.)

Neither this agreement nor Member's right of occupancy shall be transferable or assignable except as provided by Section 4.6 of the Bylaws for the transfer of membership.

7. Lien Rights in Occupancy Interest. Upon purchase of an Occupancy Interest, each member may borrow against that interest pursuant to Bylaws Sections 10.2 and 6.2(L). The Cooperative reserves all rights under Section 4.8 Termination for Cause of the Bylaws, to terminate a Membership for failure to meet obligations related to any liens.

8. Renewal. It is agreed that the term of occupancy shall be renewed for one additional period of 99-years from the expiration of the initial term. Such renewals shall be based upon the same terms as contained in this agreement.



9. Termination/Effect of Termination. This agreement will terminate according to and subject to Sections 4.6 and 4.8 of the Bylaws. All of the Member's rights and interest in the use of the Private Dwelling shall terminate immediately when this agreement terminates.

10. Reservation of Mineral Rights. The Cooperative reserves to itself all the minerals and other extractive resources. The Cooperative shall not extract any resources from the land during the term of the Occupancy Agreement.

11. Subordination. This agreement and all rights, privileges, and benefits hereunder shall at all times be subject and subordinate to any lien of any mortgage, deed of trust, chattel mortgage, note or other instrument made by the Cooperative or on the property of the Cooperative in existence at the time of this contract or hereinafter created. Member hereby agrees to execute, at the Cooperative's request and expense, any instrument, which the Cooperative or any lender or mortgagee may deem necessary or desirable to subordinate this agreement to any such security instrument. Member hereby appoints the Cooperative and each and every Officer thereof, and any future Officer, as irrevocable attorney-in-fact during the term of the agreement to execute any such instrument on behalf of Member.

12. Severability. The provisions of this agreement are severable and in the event any provision of the agreement conflicts with the Bylaws, applicable law, or is found to be invalid, such conflict or invalidity shall not affect the other provisions of this agreement.

I HAVE READ AND HEREBY ACKNOWLEDGE THE FOREGOING. I UNDERSTAND THAT THIS IS A LIMITED EQUITY COOPERATIVE SUBJECT TO RESALE RESTRICTIONS AND THAT I WILL BE SUBJECT TO FINANCIAL PENALTIES IF I SELL THE COOPERATIVE INTEREST TO A NON-QUALIFIED BUYER WITHIN FIVE YEARS OF THE DATE OF THIS AGREEMENT.

(Signed and Notarized)



APPENDIX A of the Occupancy Agreement: House Rules & Regulations

General Respect

All members and guests will respect the comfort and peace of minds of all the Cooperative members and guests.

Delinquent Payments

The Treasurer of the Cooperative will determine if there are extreme circumstances and what arrangements can be made. This will be reported to the Board. Any unpaid fees will be taken out of sale equity with interest.

Deterioration

Should a home's structure or improvements experience unusual deterioration, expenses to restore home to appropriate sale price shall be deducted from sale equity. Such terms and costs will be determined by a third party agent.

Exterior Deterioration

Members must maintain the external appearance of their homes to the satisfaction of the cooperative Board. Members may not act or allow to be one anything which shall constitute a nuisance, annoyance, inconvenience, or damage to the cooperative members, adjacent dwellings, or land.

Exterior Improvements

Cooperative Board approval shall be obtained and accounts kept of costs. Future resale will include the value of the improvements in the formula for sale.

Fences

The only fences allowed must be lower than 18" and placed around planted areas within three feet of the home.

Guests

Guests must follow House Rules & Regulations. Guest stays are limited to one month. Exceptions due to health care reasons will be allowed.

Noise

Noise from one home should not disturb members in other homes. Specific hours or arrangements can be made by the Cooperative Board of Directors.

Pets

Pets are allowed. No outside pens. When outside, pets must be on a leash and owner must pick up droppings.

Plantings

Each member may plant appropriate sized plantings within three feet of the home.

Vehicle Storage

Limit of one week for parking of any recreational vehicle.

Dealing with problems:

- 1) Try to resolve between members.
- 2) If this fails, present a written complaint to the Board President.
- 3) If necessary, Board President may present the complaint to the full Board for action or may bring in an arbitrator.





APPENDIX F

Memorandum of Occupancy Agreement

Document Number _____

MEMORANDUM OF OCCUPANCY AGREEMENT

THIS MEMORANDUM OF Occupancy Agreement entered into this _____ [insert day] day of _____ [insert year], by and between _____ (hereinafter referred to as the “Cooperative”), having an address of _____ [insert address]; and _____ [insert name] (“Member”), having an address of _____ [insert unit] _____ [insert city, county, state] (hereinafter referred to as “Site”).

The Cooperative is a limited equity senior housing cooperative whose purpose, as outlined in Section 2.1 of the Cooperative’s Bylaws, a copy of which can be obtained by contacting the Cooperative, is to maintain ongoing affordability for Members and qualifying future Members and to limit ownership to qualifying seniors as outlined below. For this reason, the Transfer Value of each Occupancy Interest providing exclusive right to a Private Dwelling is limited. This increase in equity is limited based upon due consideration granted to each member with the exclusive use of an affordable home, possible support services, and the benefit of Affordable Housing Grant funds in exchange for limitations on the future sales price of the Occupancy Interest.

Member, having purchased a Share and a Membership Certificate on [insert date] entered into an Occupancy Agreement dated _____ [insert date] (“Agreement”), whereby the cooperative grants to Member and Occupancy Interest for the Initial Acquisition Price of \$_____, which includes the right to occupy a Private Dwelling, including any buildings, structures, fixtures and other improvements (“Improvements”) located on site ___ upon land owned by the Cooperative in the Village/Township/City of _____, _____ County, Wisconsin (as shown on the Plat of Survey as attached hereto as Appendix B*).

This occupancy interest is for a ninety-nine (99) year term commencing on [insert date]. This occupancy term is subject to Member’s option to renew for one (1) additional period of ninety-nine (99) years. The land, which is legally described below (“Common Elements”), includes all appurtenances, easements and privileges belonging thereto but exclusive of the five Sites and the buildings, structures, fixtures and other improvements located on each Site as documented in Appendix B [insert legal description].

Name and Return Address:

[Add new TAX ID number]

Parcel Identification Number(s)



Under the terms of the Occupancy Agreement:

Occupancy of Private Dwellings and improvements on Site by Member. Member has exclusive occupancy rights to the Private Dwelling and Improvements located on Site ____.

2. Duties regarding Upkeep and Management.

(a) Cooperative Duties. The Cooperative shall: (i) provide necessary management and administration of the Cooperative; (ii) provide for the payment of all taxes and assessments levied against the cooperative; (iii) procure and provide for the payment of insurance as outlined in the Occupancy Agreement and the Bylaws; (iv) set up reserves; and (v) pay for all current repairs, maintenance and replacement on the items provided by the Cooperative, as outlined in the General Maintenance Program below.

(b) Member Duties. Members must pay for all utilities, water and sewer charges, and property taxes for the Private Dwelling.

3. Maintenance and Repairs.

(a) General Maintenance Program. The Cooperative shall maintain the Common Elements except for the expense of making all repairs or taking any other action by negligence of member or of persons occupying or visiting in the premises shall be paid entirely by member.

(b) Member Maintenance Responsibilities. Member agrees to repair and maintain member's Private Dwelling at his or her own expense as follows: all exterior, interior repairs, replacements, and upkeep of whatever kind or nature. Based upon the limited equity purpose of the Cooperative, Additions, Alterations, and Improvements to major systems or external features must be approved by the Cooperative and are governed by Bylaw Article XI.

4. Sale of Occupancy Interest to Eligible Buyers. Upon receipt of notice of intent to sell from a Member, the cooperative has the right of first Option to Purchase pursuant to Bylaw Section 4.6(F). It is the Member's responsibility to find an Eligible Buyer for the Occupancy Interest.

5. Sale is Limited to an Eligible Buyer. The Cooperative shall evaluate all interested buyers for the Private Dwelling Improvements and select an Eligible Buyer, as defined in Section 3.1 of Bylaws:

Eligible Buyer means a person who is age 55 years or older at the time of application with a household whose annual income is either 80% (moderate) or 60% (low) or less of the area median income (AMI) for _____ [location], as determined by the US. Department of Housing and Urban Development. Whether an Occupancy Interest must be sold to a buyer whose income is 80% or 60% AMI or less will be determined by the Board of Directors at the time of sale so that the Cooperative is in compliance with the Affordable Housing Program Loan which requires four of the Private Dwellings to be affordable to households earning 60% AMI until such time as all the Occupancy Agreements have been sold to the first buyer, at which time this specific requirement is eliminated.

An Eligible Buyer must also meet the criteria outlined in Section 4.2 of the Bylaws.



6. Limited Equity; Transfer Value Price. Consistent with the limited equity purpose of the cooperative in accordance with Section 2.1 of the Bylaws, the Transfer Value price of the Occupancy Interest shall be calculated in accordance with Section 4.6(1) of Bylaws:

Transfer Value of Occupancy Interest for a Private Dwelling. Whenever an Occupancy Interest is transferred, the value is equal to the Initial Consideration paid by the Member at the time of initial acquisition plus the net value of any cooperative-approved improvements (See Section 11.2), plus an amount no greater than 1% of the Initial consideration paid, with such percent compounded per annum. This is a limited equity Cooperative not meant for speculation. Any grant funds allocated to the Private Dwelling remain the property of the Cooperative, and are not included in the Initial Consideration or the Transfer Value Formula. The Transfer Value is not a guaranteed price for an Occupancy Interest, but a ceiling price that may be charged to a willing Eligible Buyer. (See Appendix A for the Transfer Value Formula and examples.)*

Neither this agreement nor Member's right of occupancy shall be transferable or assignable except as provided by Section 4.6 of the Bylaws for the transfer of Membership.

7. Lien Rights in Occupancy Interest. Upon purchase of an Occupancy Interest, each member may borrow against that interest pursuant to Bylaws Sections 10.2 and 6.2(L). The Cooperative reserves all rights under Section 4.8 Termination for Cause of the Bylaws, to terminate Membership for failure to meet obligations related to any liens.

8. Renewal. It is agreed that the term of occupancy shall be renewed for one additional period of 99 years from the expiration of the initial term. Such renewals shall be based upon the same terms as contained in this agreement.

9. Termination/Effect of Termination. This agreement will terminate according to and subject to Section 4.6 and Section 4.8 of the Bylaws. All of Member's rights and interest in the use of the Private Dwelling shall terminate immediately when this agreement terminates.

10. Reservation of Mineral Rights. Cooperative reserves to itself all the minerals and other extractive resources. Cooperatives shall not extract any resources from the land during the term of the Occupancy Agreement.

11. Subordination. This agreement and all rights, privileges, and benefits hereunder shall at all times be subject and subordinate to any lien of any mortgage, deed of trust, chattel mortgage, note or other instrument made by the Cooperative or on the property of the cooperative in existence at the time of this contract or hereinafter created.

12. Severability. The provisions of this agreement are severable and in the event any provision of the agreement conflicts with the Bylaws, applicable law, or is found to be invalid, such conflict or invalidity shall not affect the other provisions of this agreement.

*Appendix A would include Transfer Value Formula applied to an Occupancy Interest.
Appendix B would include a final survey of property.







APPENDIX G

Transfer Value Formula

Transfer Value Formula

Initial Acquisition Price (IAP)

- + Up to 1% of IAP compounded per annum for ____ years
(# of years I occupied the private dwelling)
- + Net value of improvements
- = Highest price I may charge for my occupancy interest

This formula does not include the grant value of \$8,850, which was used to pay for the initial building costs exclusive of the IAP.

Example of the Transfer Value Formula

Jane purchases her Occupancy Interest for the initial acquisition price of \$75,000, lives in the Private Dwelling for 10 years, and adds a Cooperative-approved toolshed, with a net improvement value of \$500 (even though it cost \$900 to build).

Inputting the numbers into the formula:

- \$75,000.00 Initial acquisition price
- + 7,846.66 Up to 1% of IAP compounded per annum for 10 years
- + 500.00 Net value of improvements
- = \$83,346.66 Highest price Jane may charge for her occupancy interest

*The Net Improvement Value is determined by Bylaw Section 11.2. Usually this value does not equal the cost of the improvement. In the example provided, Jane's tool shed cost \$900 to build but added only \$500 in value to the private dwelling, as determined by a certified appraiser.

The Transfer Value is not a guaranteed price for an Occupancy Interest, but a ceiling price that may be charged to a willing eligible buyer.







APPENDIX H

Resources

Organizations that support cooperative housing development and success

Cooperative Development Services
131 W. Wilson Street, Suite 400
Madison, WI 53703
608-258-4396
www.cdsus.coop/

Foundation for Rural Housing, Inc.
4506 Regent Street
Madison, WI 53705
608-238-3448
www.wisconsinruralhousing.org

National Association of Housing Cooperatives
1401 New York Avenue NW, Suite 1100
Washington DC 20005
202-737-0797
www.coophousing.org

Northcountry Cooperative Development Fund
219 Main Street SE, #500
Minneapolis, MN 55414
Tel: (612) 331-9103
www.ncdf.org/

Senior Cooperative Foundation
639 Jackson Avenue
St. Paul, MN 55101
Toll-free: 866-730-COOP (2667)
www.seniorcoops.org/

Senior Cooperative Housing Network
Minnesota Association of Cooperatives
Blair Arcade W, Suite Y
400 Selby Ave.
St. Paul, MN 55102
651-228-0213

University of Wisconsin Center
for Cooperatives
230 Taylor Hall
427 Lorch Street
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Publications

Cooperative housing toolbox: A guide for successful community development
Published by Northcountry Development Foundation in partnership with Northcountry Development Fund, Minneapolis, MN (undated). 612-331-9103 / www.ncdf.org

Cooperative housing toolbox: A practical guide for cooperative success
Published by Northcountry Development Foundation in partnership with Northcountry Development Fund, Minneapolis, MN (undated). 612-331-9103 / www.ncdf.org

Developing and sustaining rural senior cooperative housing: How-to manual
Published by Cooperative Development Foundation, Washington, DC, 2001.
202-638-6222 / <http://www.cdf.coop/>

Development Manual for Small Rural Home Cooperatives
Published by Rural Housing Foundation, Inc. and the University of Wisconsin Center for Cooperatives, Madison, WI, 2005. 608-262-3981 / www.wisc.edu/uwcc

Wisconsin Statute on Cooperatives, Chapter 185 (www.wdfi.org/corporations/statutes.htm), and forms needed to organize a cooperative (www.wdfi.org/corporations/forms/corp185forms.htm).

