

UNIVERSITY DISTRICT

ECUMENICAL CAMPUS Coalition

Commitment, Ownership & Governance Principles

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Introduction

Beginning with a board retreat in October 2007, the UDECC Board of Trustees has grappled with the question of how several congregations and campus ministries might enter into a joint initiative to form and thrive in a new, shared facility. This document represents the Board's work in formulating the organizational structure of that group of congregations and campus ministries, and the principles that will govern it. In this effort, the Board has sought to balance the interests of each prospective "Member Organization" with the interests of the collective group.

During the process, UDECC's legal counsel, Perkins Coie, has advised the Board on the legal and tax implications of this proposed joint initiative. On October 24, 2008, the Board released a draft of this document to the Member Organizations for review, study, and further refinement. Member Organizations conducted conversations among their members and leaders during the final months of 2008. Resulting questions and comments were then gathered and sorted, and have informed the further development of these Commitment, Ownership & Governance Principles.

Perkins Coie has developed these principles into an LLC Agreement outline (Section E of this document), a more concise expression of the rules that will govern the joint initiative. The LLC Agreement will be fully developed during the LLC Formation Stage, ultimately becoming the legal agreement between the Member Organizations.

Defining Terms

For the sake of clarity, the following usage of terms has been adopted in describing the Principles:

UDECC	Refers to the currently existing body created to study the feasibility of multiple church congregations selling current church properties and building a new, shared facility.
LLC	Refers to the future nonprofit Limited Liability Company (LLC) that would actually execute the project and will own and manage the Ecumenical Campus on behalf of the Member Organizations.
Member Organizations	Congregations and campus ministries that ultimately commit to membership in the LLC (refers to the entities themselves).
Membership Interest	The proportional share of a Member Organization's ownership in the LLC, expressed as a percent of ownership.

The UDECC Mission Statement

The Ecumenical Campus will be a capital facility in Seattle's University District that will:

- House the ministries of multiple worshipping communities, as well as other compatible organizations and businesses
- Accommodate well-coordinated services to disadvantaged populations
- Provide urban amenities such as public open space and community assembly facilities



A. Preamble

Underlying Project Philosophy

The Ecumenical Campus project is based on the principle that synergies occur when churches work in close proximity and share resources, furthering the goals of each individual church and the coalition as a whole.

At the outset, it is important to acknowledge that churches face certain realities, including:

- Some churches grow, while others shrink
- Churches go through leadership crises from time to time
- There are rarely adequate resources to meet identified needs
- Church decision making can be messy and time consuming
- Internal ministries and outreach missions frequently compete for limited resources

The underlying philosophy of the Ecumenical Campus project is not to ignore or try to change these realities, but rather to work together to achieve the project benefits, despite such realities. It is in keeping with this philosophy that the following Commitment, Ownership & Governance Principles have been composed. This is a structure intended to assure long-term stability while accommodating the many kinds of institutional transitions that may arise over many years.

Summary – Project Phases

The development of the Ecumenical Campus project will occur in three distinct phases. At the conclusion of each phase, each Member Organization will decide whether to continue its involvement into the next phase. In so doing, each Member Organization only obligates itself to participation in the next phase, rather than the entire project. The three project phases are:

1. Predevelopment Phase
 - a. Feasibility Study Stage
 - b. Commitment Stage
2. Preconstruction Phase
 - a. LLC Formation Stage
 - b. Design & Permitting Stage
3. Construction Phase

a. Predevelopment Phase. UDECC (a Washington nonprofit corporation) is formed by several congregations and campus ministries, conducts the Ecumenical Campus Feasibility Study, and reports its results. During the Commitment Stage, each UDECC congregation and campus ministry then evaluates the Feasibility Study results and comes to a decision regarding its participation in the subsequent Preconstruction Phase.

By withdrawing during or at the conclusion of the Predevelopment Phase, a UDECC congregation or campus ministry forfeits all prior financial contributions to UDECC.

b. Preconstruction Phase. Beginning with the LLC Formation Stage, the LLC is formed by the Member Organizations that elect to pursue the project, and then secures the services of its consultant team to conduct a full Preconstruction Phase for the project. This phase includes complete



architectural design and engineering, securing of building permits, negotiation of construction contracts, and marketing of existing church real estate. At the conclusion of the Preconstruction Phase, the LLC Member Organizations reconfirm project feasibility, evaluate economic conditions and resolve their commitment to proceed with the Construction Phase. That decision is informed by full knowledge of the detailed project design, cost, and completion schedule, the sale price they've negotiated for their existing real estate, identity of the buyer of their existing property and the terms of their agreement with that buyer. At the time of its decision to remain a member of the LLC and proceed into the Construction Phase, a Member Organization would also likely commit to closing the sale of its existing real estate.

Funding of the Preconstruction Phase will likely be achieved through multiple sources, including direct contributions from Member Organizations, foundation grants, and financing from lending institutions. Any such financing will likely have to be secured with collateral.

An LLC Member Organization that withdraws during or at the conclusion of the Preconstruction Phase remains liable for its full share of the cost of the Preconstruction Phase.

c. Construction Phase. The LLC executes the construction contract, and construction proceeds. Member Organizations that elect to participate in the Construction Phase must participate fully until completion of the Construction Phase. At conclusion of construction, the facility is occupied and begins operation. Only after city building officials have certified full occupancy can a Member Organization reduce or liquidate its membership interest.

Depending on the terms of the agreements they negotiate with the buyers of their existing real estate, Member Organizations may operate according to various alternative scenarios during the Construction Phase, as they await project completion. Some of these alternative scenarios include:

- Seller remains in existing facility until occupancy of the new facility. Buyer takes possession when seller occupies the Ecumenical Campus.
- Seller remains in existing facility until occupancy of the new facility. Seller shares facility with buyer, or buyer phases in incrementally while seller prepares to occupy the Ecumenical Campus.
- Buyer takes full possession of the existing facility prior to completion of the Ecumenical Campus. Seller relocates temporarily (perhaps sharing facilities with another LLC congregation) until Ecumenical Campus is ready for occupancy.

As the project proceeds from phase to phase, the plan may need to be modified to improve it and keep it consistent with the underlying project philosophy. At every step, each Member Organization will be fully represented, and will share in all decision making.

Summary - Principles of Ownership & Governance

The Building Program document describes the Ecumenical Campus as a place where worshiping communities gather in spiritually uplifting sanctuaries, and cultivate broader and deeper community in shared fellowship opportunities. Generous facilities will be made available to multiple human service agencies, better able to coordinate their services as a result of collocation. The spaces built to house these faith communities are designed to double as a busy community cultural center, extending hospitality to the larger community, and filling the Ecumenical Campus with a wide variety of civic and cultural events throughout the week.



The Ecumenical Campus will be owned and operated by a nonprofit Limited Liability Company, the “LLC.” An LLC affords tax advantages (both federal income taxes and local property taxes), and also provides important safeguards against liability exposure.

The LLC will be owned by a group of Christian worshipping communities, the “Member Organizations.” They will own and control the LLC, and will together constitute its Board, which in turn will oversee the LLC’s professional property management staff. The Member Organizations will own the LLC together, based proportionally on their investments in the LLC. These Member Organizations will use existing assets (likely including selling their current church facilities) to fund their investments in the LLC.

Decisions by the LLC Board will routinely be made by consensus, but certain decisions will require votes that will be based on each Member Organization’s proportional ownership interest. No single Member Organization may gain a controlling interest in the LLC.

New Member Organizations may join if at least two-thirds of the existing Member Organizations agree. Member Organizations will be able to increase or decrease their investments in the LLC, and will be able to sell their ownership interest and withdraw from membership if they so choose.

Worshipping communities that are not Member Organizations may be included as rent-paying tenants.

It is possible that a Member Organization might at some point have to be expelled from the LLC, but only in extreme circumstances, and by the action of at least two-thirds of the other Member Organizations.

All activities in and users of the Ecumenical Campus will be subject to Board approval. The Board will establish and enforce policies and rules of conduct.

Ministry activities of the Member Organizations will have highest scheduling priority, ahead of the needs of outside users.

In addition to ministry activities of the Member Organizations, the facilities will be made available to suitable outside users. Such uses will generate revenue to pay for LLC operating costs. Additional revenue will be generated from parking operations, tenant leases, user fees, investment income, etc. Net revenue will be distributed annually to the Member Organizations, according to their proportional ownership.

The LLC staff will expertly manage the facility, permitting church staff and clergy to focus entirely on their ministries. This property management team will oversee facility maintenance and operations, security, and rentals to outside users. A separate ecumenical group (such as the University District Ecumenical Parish) will supplement the Member Organizations’ individual ministries with ecumenical ministry programs and activities.



B. Project Phases

1. Predevelopment Phase

- a. The Predevelopment Phase began with the incorporation of UDECC on June 12, 2007. Since then, UDECC has been conducting the Ecumenical Campus Feasibility Study. The object of the Feasibility Study is to clearly describe the character and scope of the proposed project, and to provide reliable economic modeling sufficient to minimize the risk to Member Organizations that elect to proceed with the Preconstruction Phase.
- b. When complete, the Feasibility Study report will be posted online for public access. Printed copies will also be made available for review at participating Member Organizations, and public events will provide opportunities to see presentations and ask questions.
- c. Delivery of the Feasibility Study report marks the conclusion of the Feasibility Study Stage and the beginning of the Commitment Stage.
- d. During the Commitment Stage, each UDECC congregation and campus ministry will receive and evaluate the Feasibility Study report. Each of these Member Organizations will devise their own inclusive process for drawing their leadership, membership and staff into a well-considered evaluation of the Feasibility Study and its implications for their ministry. The UDECC Commitment Stage Committee will facilitate the evaluation process at each congregation and campus ministry, responding to questions and providing additional materials as necessary.
- e. At the conclusion of the Commitment Stage, the membership of each UDECC congregation, and the board of each campus ministry, will be asked to vote on their commitment to become a Member Organization in the LLC and participate fully in the Preconstruction Phase.

2. Preconstruction Phase

- a. To begin the Preconstruction Phase, the Member Organizations will conduct an “LLC Formation Stage,” during which they will negotiate and execute the LLC agreement, constitute the LLC’s Governing Board, and secure federal tax-exempt status. Failure to successfully negotiate the LLC agreement and complete the LLC Formation Stage will bring the Preconstruction Phase – and the project – to a conclusion. In such case, the costs incurred during the LLC Formation Stage (including LLC legal and administrative costs) will be divided equally among the Member Organizations.
- b. The Member Organizations will share the total cost of the Preconstruction Phase. (This cost may include the risk of using existing property to collateralize borrowing.) The division of preconstruction costs among the Member Organizations shall be negotiated during the LLC Formation Stage. The Preconstruction Phase contributions of Member Organizations that remain LLC members through project completion and occupancy will be credited toward their total membership interest in the LLC. The LLC will likely seek preconstruction financing through nonprofit financing sources. Such financing will likely have to be secured by the LLC Member Organizations. Commercial sources of financing may be necessary for some portion of the cost.



- c. Each Member Organization must pay its full share of the Preconstruction Phase budget at the conclusion of the LLC Formation Stage. These funds will be held by the LLC, with disbursements authorized by the LLC Governing Board.
- d. The LLC will seek funding support (public and private grants and charitable gifts) to offset Preconstruction Phase costs. Such funding support will directly reduce the net Preconstruction Phase cost to each Member Organization.
- e. If a Member Organization elects to withdraw from LLC membership during or at the conclusion of the Preconstruction Phase, that Member Organization must nonetheless fulfill its financial commitment to the Preconstruction Phase, and will forfeit its contribution.
- f. The LLC will select and negotiate a consultant agreement with a development management firm (the “Development Manager”) to provide project management services to the LLC in connection with the project. The Development Manager will not be an equity participant in the project.
- g. The LLC will conclude binding agreements with the owners of all real estate parcels that constitute the project site. All real estate transactions will be scheduled to close escrow no later than the conclusion of the Preconstruction Phase.
- h. The LLC will select and negotiate a consultant agreement with an architecture firm (the “Architect”) to provide full scope design services, including architectural design, structural, mechanical and electrical engineering, and cost estimating.
- i. The conceptual plan developed during the Predevelopment Phase will inform development of the Ecumenical Campus design during the Preconstruction Phase. The scope of the project may, however, evolve due to several factors. Chief among these factors is the number of congregations and campus ministries that elect to become LLC Member Organizations at the conclusion of the Predevelopment Phase, and the equity that they elect to make available for the project. A reduction in Member Organizations and/or funds may necessarily result in modifications to the project.
- j. The LLC will secure entitlements as necessary from permitting authorities. This includes obtaining building permit(s), zoning changes and other land use accommodations.
- k. The LLC will select a general contractor to build the Ecumenical Campus project. There are several procurement methods for this process, and the LLC will determine the most advantageous method of selection. The Development Manager and the Architect will advise the LLC in this decision.
- l. At the conclusion of the Preconstruction Phase, the construction cost and the completion schedule will be established, and the contract for construction will be negotiated and readied for signature.
- m. The estimated project cost identified in the Predevelopment Phase is an estimate based upon the project’s conceptual plan. This estimate is preliminary, and will be refined during the Preconstruction Phase.
- n. During the Preconstruction Phase, Member Organizations will market their existing real estate, ultimately negotiating Letters of Intent with buyers. Binding Purchase and Sale



Agreements needn't be concluded until the end of the Preconstruction Phase, when the decision to proceed with construction is made.

- o. Each Member Organization will develop a transition plan for coordinating the relocation of its ministry during or at the conclusion of the Construction Phase. The timing and terms of relocation will be an important element in the agreement negotiated with the buyer of each Member Organization's property.
- p. Construction financing will be arranged during the Preconstruction Phase. Construction financing must be in place prior to execution of the contract for construction. At project completion, construction financing must be repaid through debt retirement or replaced by long-term financing (a mortgage).
- q. The Development Manager will advise the LLC and its Member Organizations with regard to the impact of prevailing economic conditions on project feasibility (during and at the conclusion of the Preconstruction Phase).
- r. At the conclusion of the Preconstruction Phase (prior to start of construction) each Member Organization will be asked to reaffirm its commitment, voting to:
 - Continue in its role as an LLC Member Organization
 - Conclude the sale of its existing property
 - Make its equity commitment toward the development costs of the Ecumenical Campus (this may be all of or only a portion of the value of its existing property)
 - Express its intention to collocate with other Member Organizations at the Ecumenical Campus upon completion of the facility
- s. If any Member Organizations withdraw prior to the start of the Construction Phase, it may be necessary to revise the project in order to maintain project viability. Such revision(s) would constitute a continuation of the Preconstruction Phase, and would conclude with another round of voting among the remaining Member Organizations, who would share the cost of such revisions
- t. A Member Organization will not need to conclude a binding purchase and sale agreement with the buyer of its property until the Preconstruction Phase is concluded, and start of construction is imminent. At that time, major project variables will be resolved, including final design of the facility, negotiation of construction contracts, and securing of building permits.

3. Construction Phase

- a. The Construction Phase begins on the day the contract for construction is executed, and concludes on the day city building officials certify full occupancy.
- b. Before the Construction Phase begins, the following items will be complete:
 - Decision by each LLC Member Organization to proceed with construction
 - Project site vacated by prior occupants and ready for construction
 - LLC Member Organizations conclude purchase and sale agreements with buyers of their existing properties
 - Detailed design and engineering complete
 - Construction cost and schedule established by contract
 - Permits in hand



- Construction financing in place
- c. During the Construction Phase, proceeds from Member Organizations' property sales will be made available for contractor progress payments. As construction progresses, lender(s) will likely insist that expenditure of existing funds must precede draws from construction financing.
- d. Member Organizations that elect to participate in the Construction Phase must participate fully until completion of the Construction Phase, as any reduction in their membership interest or withdrawal from the LLC could irreparably harm the other Member Organizations. After full occupancy is certified, changes in ownership will be permitted according to Section C.5.
- e. During the Construction Phase, the Architect and the Development Manager will administer the contract for construction on behalf of the LLC. Terms for evaluating and approving change orders, including changes in project cost and schedule, will be specified in the contract documents. Approvals of change order proposals will be the responsibility of the LLC Board, with input from the consultant team.
- f. Prior to completion of the Construction Phase, the LLC will develop a detailed facility-operating plan, and will assemble its facility management team. On the day the Ecumenical Campus is certified for occupancy, the facility management staff will be fully prepared to take delivery of the facility and begin routine operations.
- g. A detailed occupancy plan will be in place well in advance of project completion. As soon as city building officials certify the facility for occupancy, LLC Member Organizations will be able to begin the transition into the new facility. This process will be carefully coordinated between the LLC and each Member Organization.



C. Principles of Ownership & Governance

1. Formation and Initial Investments in the LLC

- a. The LLC will be an entity wholly owned by the Member Organizations. Individuals cannot be members of the LLC, and there will be no private funds in the LLC.

Commentary: While there are, as of this writing, nine congregations and campus ministries participating in the UDECC Feasibility Study, it is unknown at present how many of these will decide to fully commit to the project. Each will decide that question for itself at the conclusion of the Predevelopment Phase.

- b. The LLC, as an entity, will own the Ecumenical Campus facility, and the Member Organizations will own the Ecumenical Campus facility indirectly through their ownership of the LLC. The Member Organizations will share ownership in the LLC collectively.

- c. The Member Organizations will own the LLC in proportion to their equity investment as a share of all contributions by all Member Organizations.

Commentary: With the passage of time, the relative sizes of Member Organizations, as measured by membership, attendance, or budget, will likely change. This is one of the reasons that total investment, square footage of assigned space, and congregation size are decoupled from each other in this ownership plan.

The fair market value of the property will change over time with the rest of the real estate market. There is no set "price per share."

- d. Each Member Organization will determine for itself the amount of its equity investment. Sources may include the sale of its existing real estate or other assets, funds given or pledged by its members, or other sources.
- e. Funds contributed by a Member Organization during the Predevelopment Phase will be counted toward its equity investment. Individual donors to UDECC's Feasibility Study may retroactively direct that their gifts be credited toward the equity investment of the Member Organization of their choice.
- f. Member Organizations must make their equity investments in cash. The LLC will not be responsible for liquidating the real properties of Member Organizations.
- g. For any Member Organization with existing property that is to be integrated into the Ecumenical Campus site, the property will be valued equitably with at least two official appraisals. Any such Member Organization and the LLC shall each obtain and pay for an independent appraisal of the property. If the difference in value between the two appraisals does not exceed 15% of the average of the two values, the average of the two appraisals shall be the fair market value. If the difference in value between the two



appraisals does exceed 15% of the average of the two values, and the Member Organization and the LLC are unable to agree on a compromise value, the two appraisers shall select a third appraiser (and if they are unable to select a third appraiser the parties will apply to the then presiding judge of the Superior Court of King County for the selection) to prepare a third appraisal, and the median value of the three appraisals shall be the fair market value.

- h. On a date to be determined, the equity investment commitments of all participating Member Organizations will be “locked-in” to calculate proportional LLC ownership.
- i. As of the construction start date, participating Member Organizations will be prohibited from withdrawing or reducing their equity commitments prior to the date occupancy of the entire facility has been certified by the building official. Once full occupancy is certified, increases or reductions in member equity will be transacted according to the provisions of Sections C.4. and C.5.

Commentary: Fluctuations in the economy have broad impacts on the feasibility and risks associated with real estate development projects. The 2008-10 economic downturn is no exception. Timing is an especially important factor in the sale of existing assets, and must be guided by a keen sense of the real estate market. For this the Member Organizations will look to their consultant team and other resources.

- j. The Member Organizations will be full participants in the Preconstruction Phase. Member Organizations that wish to withdraw prior to the construction start date will have that option, although they will be fully liable for their share of Preconstruction Phase costs.

2. Core Ownership and Governance of the LLC

- a. The LLC will be governed by the Governing Board (the “Board”). Each Member Organization shall appoint two (2) representatives to the Board. The Board will endeavor to conduct its business by consensus whenever practicable.
- b. Each Member Organization shall appoint one of its two Board representatives to serve on the Council of Members (the “Council”). Members of the Council representing a majority of the membership interests (and at times a super-majority) must approve certain actions when required by the LLC Agreement. Each Council member’s vote shall be weighted according to the membership interest of the Member Organization (s)he represents.
- c. The Board will retain decision-making authority except in decisions specifically reserved for the Council or the Member Organizations themselves. Such decisions will be specified in the LLC Agreement, and will be classified according to the following three (3) classes:
 - Actions requiring approval by vote of the Council members representing a majority of the membership interests.



- Actions requiring approval by vote of the Council members representing at least two-thirds of the membership interests.
- Actions requiring approval by the governance groups of Member Organizations representing at least two-thirds of the membership interests.

Commentary: The LLC will exist for the purpose of developing, owning, and operating the capital facility for the benefit of the investing Member Organizations. Hence, decisions required of the Council will be based proportionally on membership interest (rather than a “one member, one vote” approach). This principle also avoids the volatility that would result from decision-making based on ever-shifting metrics such as congregation size, attendance trends, etc. Decisions that do not require a vote of the Council will be made by the full Board, which will have equal representation from each Member Organization.

When a vote is called, a simple majority will be sufficient for passage, unless the LLC Agreement otherwise requires a two-thirds vote. A two-thirds vote will always be required whenever a vote will limit or reduce the rights of any Member Organization.

- d. In addition to the appointed representatives of Member Organizations, other persons may be nominated to serve on the Board. Such “At Large” Board members will have voice but no vote, and may not serve on the Council.
- e. All officers of the Board shall be nominated from the ranks of the Council.
- f. A minimum equity investment will be required for a Member Organization to have voting representatives on the Board. The amount of this minimum investment will be determined during the LLC Formation Stage.
- g. No Member Organization may own more than 50 percent of the LLC, either through its initial investment or through subsequent increases in its ownership interest.
- h. Member Organizations may not borrow against their membership interest in the LLC or use their membership interest to secure any debts.
- i. The Board will have direct oversight over paid staff responsible for facility management and operations.

3. Eligibility and Admission of Additional Member Organizations

- a. Membership in the LLC will be limited to Christian, worshiping communities (including parish churches and campus ministry programs) with 501(c)(3) tax-exempt status.

Commentary: As churches that have inherited the results of more than sixty years of the modern ecumenical movement, we desire and see real value in giving more visible witness to the unity of the Christian Church, which we believe is a gift of God. We believe we are being given the opportunity to become a visible sign of what God intends



for the whole human family - a community that is characterized by commitments to justice, compassion, the dignity of every person, and peace in the world.

It is from such a position of Christian unity that we believe we can more meaningfully engage with other faith traditions and the wider world. As a gathering of Christian traditions, we choose to be inclusive rather than exclusive.

Institutions and individuals affiliated with non-Christian faith traditions will be welcomed at the Ecumenical Campus as together we seek to foster a place where interfaith discourse and deeper community can flourish and be enriched by all.

The Ecumenical Campus may be home to a variety of institutions, but only those that satisfy the provisions of Section C.3.a. will be eligible to invest in the LLC as Member Organizations.

- b. No single Member Organization may gain a controlling interest in the LLC, per Section C.2.g.
- c. A new Member Organization must make its investment in cash. This investment will result in an ownership share proportional to the ownership shares held by the existing Member Organizations as equitably determined by an appraisal of the value of the LLC at the time of the new investment. New equity contributions will be allocated to the Capital Reserve Fund.
- d. The consent of two-thirds of all membership interests is required to permit the admission of a new Member Organization.
- e. All Member Organizations must implement and maintain “Safe Sanctuary” policies and procedures to provide a safe and nurturing environment for children, youth and vulnerable adults. Minimum requirements of these policies shall be established and periodically reviewed by the LLC Board, in consultation with the LLC’s insurance provider. The LLC will implement and maintain its own Safe Sanctuaries policy as well, consistent with those of the Member Organizations.

4. Increase in Existing Member Organization's Investment

- a. An existing Member Organization may increase its equity investment in the LLC with a cash investment. Additional equity purchased by a Member Organization will result in a proportional adjustment in shares held by all Member Organizations. New equity contributions will be allocated to the Capital Reserve Fund.
- b. The consent of two-thirds of all membership interests is required to permit an existing Member Organization to increase its share of ownership.
- c. Any transaction involving an increase or decrease in the ownership share of one or more of the Member Organizations must begin with a determination (by appraisal) of the fair market value of the LLC, including its real estate assets. The LLC, at the request of one



or more of the Member Organizations, shall hire and pay for such an appraisal. The Member Organization(s) requesting the appraisal will be obligated to reimburse the LLC for the cost of the appraisal. Member Organizations that together request an appraisal shall determine to their mutual satisfaction the method for sharing the cost of such reimbursement.

5. Reductions or Withdrawal of a Member Organization

Commentary: A Member Organization's ownership interest in the LLC is a capital asset. Although (like any asset) the fair market value of the asset will vary over time, each Member Organization's ownership interest remains constant regardless of fluctuations in the Member Organizations' relative size.

At some point, a Member Organization may chose to reduce its investment in the LLC, or withdraw entirely. This might occur for many reasons, including changes in a Member Organization's ministry, its membership size or its fortunes, and provision must be made for fairly valuing and liquidating some or all of its investment in the LLC.

As with any capital asset, the true market value is the highest price a buyer will pay. While a professional appraisal provides an important benchmark to guide decision-making, it is no guarantee of the price that can ultimately be realized. By agreeing to join, each Member Organization agrees to participate in a "market" for ownership in the LLC. (In economics, a market is a structure that allows buyers and sellers to exchange something of value. Market participants consist of all the buyers and sellers of an asset who agree that it has value, and who then influence its price through supply and demand.) The process outlined in Section 5.b. initially limits that market to the current Member Organizations, but then provides for enlargement of the market to include other qualified worshipping communities in the event buyer(s) cannot be found among the existing Member Organizations.

- a. A reduction in the equity held by an individual Member Organization would necessitate the sale of some or all of that Member Organization's ownership interest. Such a sale would proceed as follows:
 - First Option: The LLC Member Organizations would be given the opportunity to purchase the available share collectively, thereby increasing the value of each Member Organization's holdings.
 - Second Option: If the LLC Member Organizations do not agree to purchase the available share collectively, according to the First Option, one or more individual Member Organization(s) may elect to purchase the available share. In this option, Member Organizations who withheld their agreement to the First Option would be excluded from participation in the Second Option, except as agreed to unanimously by the other Member Organizations.
 - Third Option: If no existing LLC Member Organizations agree to purchase the available share under the First or Second Options, above, the Member Organization



wishing to reduce or eliminate its position may offer its ownership interest to an outside organization (or organizations) meeting the criteria outlined in Section C.3. In this option, the consent of two-thirds of all membership interests is required to permit the admission of the new Member Organization. This approval may not be unreasonably withheld. In the event that a Member Organization believes approval of a potential sale is being unreasonably withheld by other Member Organization(s), it may then seek recourse through dispute resolution mechanisms to be developed (per Section C.11.).

- b. The Member Organizations must establish enforceable timelines for the process outlined above, to prevent stalling or delays.
- c. While member organizations will generally be permitted to reduce their investments or withdraw from the LLC, they will not be permitted to do so during the Construction Phase of the project, as such reduction or withdrawal could irreparably harm the other Member Organizations.

6. Tenant Worshipping Communities

- a. Provision shall be made on a case-by-case basis for the rental use of space by tenant worshipping communities that are not Member Organizations. Such tenant worshipping communities may include Christian or interfaith communities. Rental income shall be allocated per Section C.10., below.
- b. Tenant worshipping communities may be accommodated in the church administrative center on a space-available basis.
- c. If an existing Member Organization withdraws its investment, it may negotiate to continue to operate its ministry at the Ecumenical Campus as a tenant worshipping community.

7. Disbanding of a Member Organization

Commentary: Per Section C.3.a., each Member Organization must be a nonprofit corporation registered as a 501(c)(3) charitable organization. As such, each Member Organization's corporate documents must provide for its dissolution, including the distribution of its assets and the resolution of its debts. The terms of the LLC Agreement will shield the LLC and its Member Organizations from each other's debts and liabilities.

- a. In the event of the dissolution of a Member Organization, and if that Member Organization is associated with a Regional Church Body that controls that Member Organization's assets, that Member Organization's ownership interest will become the property of the Regional Church Body associated with that Member Organization according to the terms of their association. The Regional Church Body may:



- Elect to retain the ownership interest, with full rights to participate as a Member Organization;
 - Elect to assign its ownership interest to another worshipping community qualified under the terms of Section C.3.a., and subject to the approval of the existing Member Organizations, as provided in Section C.3.d.; or
 - Elect to reduce or withdraw its ownership interest according to the terms outlined in Section C.5.a.
- b. If no such Regional Church Body controls the assets, the disbanding Member Organization's ownership interest shall be sold under the terms of Section C.5.a., above.

8. Expulsion of a Member Organization

Provision shall be made for the circumstances under which a Member Organization may be expelled. Expulsion will be permissible only in extraordinary circumstances in which a Member Organization's continued participation in the LLC threatens the integrity and viability of ministry of other Member Organization(s). The consent of two-thirds of all membership interests is required to permit expulsion of a Member Organization.

9. Management and Operation of the Ecumenical Campus Facility

Commentary: After completion and occupancy, the nonprofit LLC will manage and operate the Ecumenical Campus facility. The Board will oversee the LLC's professional property management staff. Church staff, including clergy, will be freed of day-to-day building management duties, and will instead be able to focus entirely on ministry.

- a. The Board will establish policies to guide decisions on items such as appropriate tenants and outside users, and rules of conduct for tenants and renters.

Commentary: Church ministry facilities (worship spaces, classrooms, etc.) can be rented to outside users to generate income. To safeguard exemption from real estate taxes, all such renters must be nonprofit organizations using the space for charitable activities. If this rental income is devoted to the operation and maintenance of the church ministry facilities, the income is non-taxable.

Tenant spaces that are owned debt-free by a nonprofit can be leased to either commercial or nonprofit tenants. Unlike Church ministry facilities, income is taxable, and the tenant space is subject to real estate taxes. Owning such space as a separate commercial condominium simplifies accounting and safeguards tax exemptions.

- b. The Board will establish policies to define appropriate usage of worship spaces by outside users. All Member Organizations share the goal of maximizing the use of the facility (and maximizing revenues accordingly) by seeking suitable nonprofit organizations who will pay to use Ecumenical Campus facilities, including worship spaces, classrooms, meeting rooms, dining and reception facilities. Such users may



include other worshipping communities (Christian as well as interfaith communities), arts and cultural groups, civic groups, public agencies and educational institutions. Accordingly, programs by appropriate nonprofit outside users may include music performances, author readings, civic discourse, academic programs, fundraising events, and the like.

- c. The Board will establish policies to screen all prospective users and programs, making certain that all uses are consistent with the values of the Member Organizations.
- d. The Board will establish policies for reduced-rate or free use of LLC facilities by certain nonprofit users, as an extension of the mission goals of the Member Organizations.
- e. Tenant space leased by commercial tenant(s) shall be physically distinct from church ministry facilities. Prospective tenants will be evaluated, in part, on the degree to which their normal operations will complement, rather than conflict with, the normal operations of the Member Organizations.
- f. The Board will establish policies to ensure that Member Organizations always have primary use of church ministry facilities. Scheduling shall always favor Member Organizations over outside users. Some ability to accommodate “short notice” church events will have to be built into the scheduling routine. Over time, the magnitude of this need can be refined.
- g. The Board must also establish policies to ensure that scheduling conflicts between Member Organizations are not simply resolved based upon power. Reason and good will must guide scheduling decisions here, as well.

Scheduling of church ministry facilities will be prioritized as follows:

1. Regular and seasonal worship schedules
2. Special programs produced by a Member Organization in its own worship space
3. Special programs produced by a Member Organization in another’s worship space
4. Rentals to outside users

Commentary: While it will be necessary to develop reliable methods for scheduling all church and non-church events and activities, church programs must always take priority over the programs of outside users. Since rentals promise to generate revenue to pay facility costs and support more ambitious missions and service ministries, a careful balance will have to be sustained.

The goal of employing better stewardship to generate revenue in support of mission and ministry will only be achieved if all Member Organizations embrace that goal. If all are willing to rely on good communication, good management, and good will to adapt to a different operating model, church ministry facilities can be employed more intensively and much more efficiently.

The space needs of Member Organizations must not be trumped by the promise of revenue from competing outside users. Such policies will be rooted in the values of the



Member Organizations. At the same time, Member Organizations will need to cultivate good habits in planning ahead as much as possible so that spaces that are not needed for church programs can provide revenue to support mission-driven programs.

Each congregation will be associated with a particular worship space, but their actual ownership will extend throughout the entire facility, including all other worship spaces. They will be able to rely on the availability of “their” worship space for their regular worship schedule. More than one congregation may regard a single worship space as theirs, but only if they find that such an arrangement is mutually beneficial, and their worship schedules are compatible.

Because of the identity each Member Organization will feel in its worship space, all programs by other Member Organizations or outside users will be subject to approval by the “host” Member Organization. Such approval must not be unreasonably withheld.

- h. Member Organizations will be assessed a usage fee allocated fairly among the Member Organizations in proportion to their use of church ministry facilities. Generally, usage fees will differ based on the seating capacity of the worship space and amount of other space (private office space, for example) used by a particular Member Organization.

Commentary: Basing usage fees on seating capacity creates an incentive for each congregation to use the worship space that fits them best, and to consider changes when membership grows or dwindles significantly.

- i. The facility will be managed and staffed by persons with professional expertise in property management, facilities operation, maintenance and security. Staff will also have expertise in marketing and managing rental use of facilities by compatible outside users. The staff executive will manage the staff, and will be directed by the Board.

Central to the Ecumenical Campus model is the principle that, if building operation is done by dedicated property management staff, numerous benefits will be realized, including:

- Ministry staff able to focus entirely on ministry
- Better security
- Better property management and operation
- More efficient/intensive use of resources
- Increased net revenue from facility

- j. Sustaining a secure environment while also maintaining an overall atmosphere of gracious hospitality will be the ongoing responsibility of the LLC’s property management staff, working closely with church staff and clergy.

Commentary: Security is a particularly important concern for urban churches. Security ranks high as a design issue, as reflected in the Ecumenical Campus Building Program. Security is also a very high priority for building operations. Issues include safety of church staff, members and visitors, emergency response, building perimeter security, and



building access control. Security procedures will be established and continuously refined.

- k. LLC staff shall also have expertise in special event production, particularly with regard to memorial service and wedding coordination, and the facilitation of programming by Member Organizations, tenants and outside users.
- l. A separate ecumenical entity (or entities), will be responsible for planning and programming ecumenical programs.

Commentary: The primary responsibility of the LLC will be the facility (operation, scheduling, security, maintenance, marketing, leasing, etc.). Ministry programs must be the province of others. Since collocation offers great opportunities for joint ministry among the Member Organizations, it makes sense for a number of shared initiatives to be undertaken. This may happen organically, among the Member Organizations, or may best be facilitated by an ecumenical entity (perhaps the University District Ecumenical Parish).

10. Allocation of Revenues

- a. Gross revenue includes the following:
 - Revenue received in usage fees paid by Member Organizations
 - Revenue from parking garage operations
 - Revenue received from rental of church ministry facilities to outside users
 - Revenue from tenant leases
 - Revenue received from investments of reserve funds
 - Other revenue generated from facility ownership and operations
- b. LLC operating costs will first be deducted from gross revenue. Operating costs include utilities, routine maintenance, insurance, taxes, marketing, payroll and general office expenses.
- c. The LLC will maintain an Operating Reserve Fund (ORF) as a contingency for budget shortfalls, and as a cash-flow management tool. The ORF will be maintained as a low-risk, highly liquid investment, with a minimum balance equivalent to a specified percentage of the annual operating budget. As each year's operating budget is established, additional cash injections to the ORF will routinely be necessary to satisfy the minimum percentage requirement.
- d. In a fiscal year in which gross revenues are not sufficient to cover LLC operating costs, the Board and administrative staff will take all reasonable and necessary measures to enhance revenue and/or reduce expenditures in order to conclude the year with a balanced budget. Should operating costs exceed gross revenue, the deficit shall be offset as necessary with draws from the ORF. Full restoration of funds drawn from the ORF must be budgeted no later than the subsequent fiscal year's budget.
In the event that there are insufficient funds available in the ORF, the Board will consider several alternatives, including:



- Establishing a line of credit from commercial sources
 - Borrowing from the Capital Reserve Fund
 - Borrowing from Member Organization(s)
 - Cash injections from Member Organizations, which would constitute increased investments in the LLC, and would be reflected in the ownership interests of the Member Organizations.
 - Mortgage borrowing
- e. The LLC will maintain a Capital Reserve Fund (CRF) to hold and invest capital for future building repairs and improvements. After LLC operating costs have been deducted from gross annual revenue, the board may allocate a portion of net revenue to the CRF prior to allocating remaining revenue to the Member Organizations.
- f. Initial capitalization of the CRF will occur at project completion, in an amount to be determined by the Board. The Fund will be invested to generate investment income, with professional investment guidance.
- g. Dividend distributions from the CRF to the Member Organizations shall only be permitted by approval by Member Organizations holding at least two-thirds of the outstanding membership units of the LLC, and shall be distributed proportionally according to each Member Organization's ownership interest.

Commentary: The Capital Reserve Fund (CRF) is important for long-term fiscal sustainability. By building the fund over a number of years, large repairs, remodel projects, and other capital improvements can be undertaken with reduced reliance on capital campaigns or outside financing.

- g. In addition to utilizing the Capital Reserve Fund, the LLC may borrow to fund building repairs or improvements.
- h. A percentage of net revenue will be deducted for the purpose of establishing and funding the Ecumenical Campus Mission Fund ("Mission Fund") to fund grants to the community. Distributions from the Mission Fund will be made at the discretion of the Board.
- g. After LLC operating costs have been deducted from gross annual revenue, and distributions (if any) have been made to the Operating Reserve Fund, the Capital Reserve Fund, and the Mission Fund, all remaining net income will be divided among the member organizations in direct proportion to their ownership interests.
- h. Net income shall be allocated to each Member Organization's account, or distributed annually at the close of the fiscal year.



11. Resolving Disputes Among Member Organizations

Provision will be made for a series of processes to resolve disputes among Member Organizations in a manner consistent with the Christian and ecumenical spirit of the Ecumenical Campus endeavor, designed to avoid litigation in the judicial system.

Commentary: An incremental approach to dispute resolution calls for suitable intervention at an early stage, identifying and addressing issues while they are still of a manageable size.

12. Dissolution

The LLC will dissolve if Member Organization(s) representing at least two-thirds of the ownership interests in the LLC decide to withdraw from the LLC and there is no agreement among the remaining Member Organization(s) for transfer of the withdrawing Member Organizations' interests as described in Section C.5.a. The LLC will then liquidate its assets, and each Member Organization will receive distributions from the LLC in proportion to its ownership interest.

In the event of dissolution, a Member Organization that had owned portions of the project site prior to construction of the Ecumenical Campus will have right of first refusal to purchase the interests of the remaining Members, if that Member Organization continues to own and operate worship facilities adjacent to the Ecumenical Campus facility.



D. Legal and Tax Implications: UDECC Governance and Ownership Principles

Prepared by Perkins Coie LLP UDECC Team

Overview

While joint ventures become increasingly common in the nonprofit sector, UDECC's collaborative vision, in the context of religious organizations, is relatively unique. Prospective Member Organizations will face a variety of unknowns and uncertainties as they contemplate whether to become a participant in the UDECC vision. They can and should fully understand how their participation will affect their own legal identity, tax-exempt status, capacity to receive deductible tithes and contributions, and mode of operation. Our guidance here is not intended to be conclusive but should instead serve as a framework that each prospective Member Organization might carefully review with its legal and tax advisors.

Nonprofit Joint Ventures and Independence of Members

Nonprofit joint ventures appear in all forms. Many joint ventures are simply contractual relationships among participating organizations. Some take the shape of a new corporate entity in which each participating organization is a part owner. In either case, the participating organizations do not dissolve into a single entity but maintain their status independent of the joint venture.

The UDECC vision generally contemplates a joint venture among 501(c)(3) religious organizations. Each organization will continue to maintain its separate legal identity and its polity system of committees, councils, boards, and interaction with regional church bodies. The primary difference is that each of the Member Organizations that occupy the new facility will no longer own and be separately responsible for its own church building and real property. Instead, each will own and be jointly responsible in the management of the joint venture. Congregations and members would consent to abide by the terms set for the joint venture, including the right to withdraw under those terms and to operate in a different manner.

Organization Through a Limited Liability Company

Of all the organizational forms available under Washington law, the most common of which include partnerships and corporations, limited liability companies ("LLCs") are the most flexible of corporate entities available. As such, they are well suited to the kind of joint venture that takes shape in the UDECC Commitment, Ownership and Governance Principles. The Member Organizations could form a single LLC with their equity investments, and the LLC can own and operate the new development. Each Member Organization would own an interest in the LLC proportionate to its investment, and the LLC agreement would codify the Commitment, Ownership and Governance Principles.

Federal Income Tax Status

Under section 501(c)(3) of the federal tax code, churches are exempt from income tax because they engage solely in religious, charitable, and educational purposes. Contributions to churches are also deductible charitable contributions of the donors. There are a few things that churches can do to lose



their tax-favored status. Participation in a political campaign, for example, disqualifies a church from exempt status. Devoting substantial activity toward a non-religious, non-charitable, and non-educational purpose can also jeopardize a church's exempt status. While a church can engage in trade or business activity that is unrelated to its exempt purposes, the activity cannot be a substantial activity of the church. In addition, income derived from such trade or business activities, when not subject to limited exceptions, is taxable under what is called the unrelated business income tax.

Participation in a joint venture alone does not jeopardize a church's tax-exempt status. The IRS scrutinizes joint ventures when there is opportunity for a non-exempt business or individual to benefit at the expense of a nonprofit participant. When joint ventures involve exclusively nonprofit organizations, as the UDECC Commitment, Ownership and Governance Principles contemplate, IRS scrutiny and the risk of loss of exempt status is not more significant than if the organization conducted the joint venture activity (in this case, ownership and operation of a church building) on its own.

The UDECC vision contemplates that the LLC may retain ownership of one or more spaces intended for lease at market rates to commercial or nonprofit tenants. Commercial rent from a church's real property is generally excluded from unrelated business taxable income as long as the church does not provide services other than those usually or customarily rendered to commercial tenants and as long as the property is owned outright and not debt-financed. Here, the LLC may own real property free of debt that it leases to unrelated tenants for commercial activities without incurring unrelated business income tax or jeopardizing its 501(c)(3) status.

Local Property Tax Implications

In Washington, churches are exempt from property taxes. Specifically, the law exempts "all churches, personal property, and the ground, not exceeding five acres in area, upon which a church of any nonprofit recognized religious denomination is or shall be built." Churches must use their property "wholly for church purposes" to qualify for the exemption, but there is an exception for churches that rent property to nonprofit organizations for charitable activities. So long as the rental income is devoted to the operation and maintenance of the property, the property is still considered "wholly used for church purposes." "Church purposes" is broadly defined to include worship, administrative, educational, eleemosynary, and social activities.

Here, the church-related space would probably constitute a "church" for property tax exemption purposes. The Washington Board of Tax Appeals has applied the church exemption in two decisions involving church property owned through LLCs, suggesting that the portion of the development consisting of church-related space would be exempt from property taxes, but this position is not yet well established. We would encourage UDECC to seek an advance ruling from the state to provide sufficient assurance that the UDECC church-related space would qualify for the exemption. Exemption does rest, however, on the use of the space "wholly for church purposes." If the LLC rents space to a for-profit organization, that portion of the space may not qualify for the property tax exemption and will likely be subject to property tax.

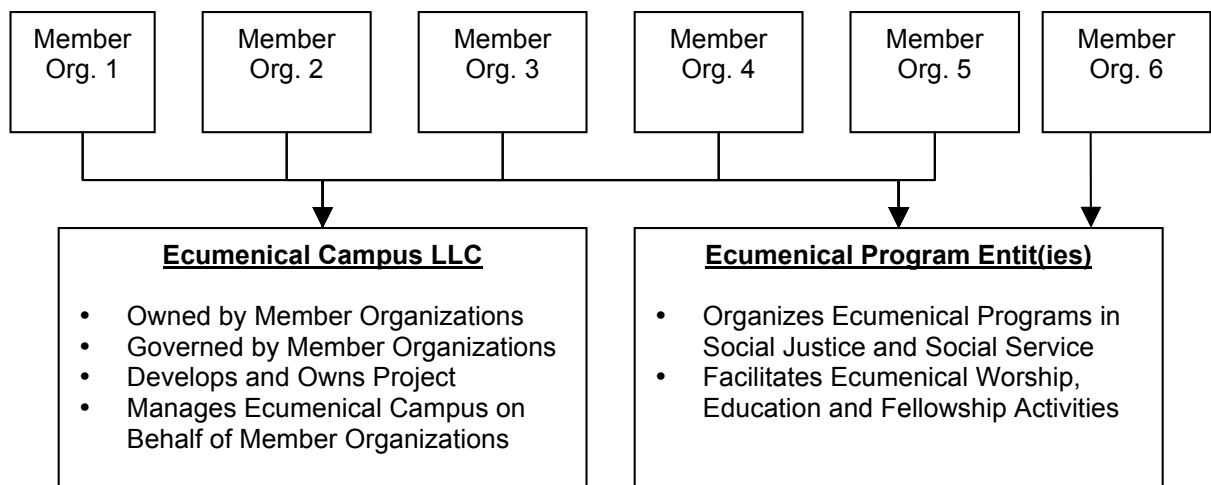


Summary of Entity Recommendations and UDECC Operation

Having analyzed the Commitment, Ownership and Governance Principles UDECC has developed in light of the legal framework described above, we have proposed a series of new entities through which UDECC might best carry out this vision. Member Organizations would create an Ecumenical Campus LLC; this would be the core entity through which the Member Organizations would govern themselves and conduct ongoing activities. This LLC might establish a subsidiary to develop the new project.

When the Ecumenical Campus LLC takes occupancy of the project, it would manage the project according to the Commitment, Ownership and Governance Principles as codified in the LLC agreement. Member Organizations of the LLC would be responsible for their share of any net deficits and entitled to their share of any net revenues.

Diagram – Relationship of Member Organizations to the Ecumenical Campus LLC



This diagram indicates the relationships between the various entities. It is only an example – the Member Organizations shown do not represent specific U. District congregations.

In the diagram, Member Organizations 1 through 6 are separate worshiping communities maintaining their autonomy and their own denominational ties. Together, Member Organizations 1 through 5 occupy and share ownership in the Ecumenical Campus LLC. All five are also members in the Ecumenical Program Entit(ies), along with Member Organization 6, which is not a participant in the Ecumenical Campus LLC, but is an active participant in the U. District ecumenical community.



E. LLC Agreement Outline

Prepared by Perkins Coie LLP UDECC Team

PREDEVELOPMENT PHASE

Summary of Phase:

The Predevelopment Phase has consisted of the development of a feasibility study of the Ecumenical Campus project, the delivery of the feasibility study report, and facilitation of each participant's consideration of the project. This phase will conclude when the participants make their decisions regarding commitment to the Preconstruction Phase.

Entity

Name of Entity:

University District Ecumenical Campus Coalition ("UDECC") is the entity that has carried out and will carry forward the Predevelopment Phase through to the Preconstruction Phase.

Type of Entity:

A Washington nonprofit corporation

Membership

Membership has been determined by UDECC's governing documents.

Governance

The rights and responsibilities of members and the manner of governance has been determined by UDECC's governing documents.



PRECONSTRUCTION PHASE

Summary of Phase: The Preconstruction Phase will begin with the formation of a nonprofit LLC and will involve comprehensive preparation for the development of the facility, including architectural design and engineering, building permitting, negotiation of contracts, and marketing of the real estate of members. This phase will conclude when the Members commit to proceed to the Construction Phase and to conclude agreements to sell their existing properties to generate funds for additional investments in the LLC.

Entity

Name of Entity The entity to carry out the project has not been determined but is referred to in this document as the "**LLC.**"

Type of Entity A Washington limited liability company with 501(c)(3) tax exempt status

Membership

Nature of Membership: The LLC will be owned by two or more congregations and campus ministries, each of which is referred to here as a "**Member.**"

Contributions: Each Member will purchase a membership interest in the LLC at this Phase through an investment of cash; investments of proceeds from the sale of real property are not expected to occur until the Construction Phase.

Membership interests will be in proportion to contributions. Members will receive credit for their prior contributions to UDECC during the Predevelopment Phase. Contributors to UDECC who do not become LLC Members forfeit any credit for their contributions to UDECC.

The LLC will also raise funds in addition to member investments, including grants and loan financing.

Potential Members:

- Christ Episcopal Church
- Cooperating Ministries in Higher Education
- Metropolitan Community Church Seattle
- University Baptist Church
- University Christian Church
- University Congregational United Church of Christ
- University Lutheran Church
- University Temple United Methodist Church
- Wesley Foundation
- Potential New Members



Obligations of Members: During the Preconstruction Phase, each Member will be responsible for a share of the cost of the Phase as negotiated among the Members. Members may, with the consent of the other Members, increase their membership interest in the LLC with additional investments (up to a maximum 50% membership interest).

Withdrawal of Member: Any Member who withdraws from the LLC during or at the conclusion of the Preconstruction Phase remains liable for the Member's proportionate share of the cost of the entire Phase.

Governance

Governing Board: The LLC will be governed by a Governing Board (the “Board”). Each Member shall appoint two representatives to the Board. Each Board representative will owe fiduciary duties of loyalty and care to all Members.

Each Member will be entitled, at any time, to remove and replace its Board representatives.

The Board may, in its discretion, add at-large non-voting members to the Board.

Council of Managers A Council of Managers (the “Council”) shall consist of one representative from each Member. Each Member shall designate one of its Board representatives to serve as its Manager on the Council. Some decisions may be reserved for the Council, the votes of which will be by membership interest. Each Member's Manager shall vote its membership interest on Council matters.

All officers of the Board shall be nominated from the ranks of the Council.



CONSTRUCTION PHASE

Summary of Phase: The Construction Phase will begin with the execution of the construction contract and will involve performance and oversight of the construction project. The Construction Phase will conclude when the entire new facility is certified for occupancy.

Entity

The LLC formed during the Preconstruction Phase will carry out the Construction Phase as well as the Post-Construction ownership and operation of the facility.

Membership

Contributions for Construction Phase: Each Member who commits to the Construction Phase will increase its investment in the LLC through an additional investment of cash or contribution of assets.

Each Member that does not own real property to be included in the project site must make its investment in cash, presumably from the proceeds of a sale of the Member's real property.

For any Member that contributes real property to be included in the project site; the LLC and the contributing Member will determine the value of that Member's contribution of real property equitably, through a mutually satisfactory appraisal procedure.

Membership interests will be recalculated at the conclusion of the Construction Phase, based on total investment prior to occupancy.

Members who decline to proceed from the Preconstruction Phase to the Construction Phase relinquish their membership interests and prior contributions to the LLC.

Admission of New Members: New Members may be admitted during the Construction Phase on a case-by-case basis and on terms agreed upon by Members owning at least two-thirds of the membership interests in the LLC.

Increase of an Existing Member's Interest: During the Construction Phase, a Member may increase its investment and, correspondingly, its membership interest on a case-by-case basis and on terms agreed upon by Members owning at least two-thirds of the membership interests in the LLC.

Withdrawal of Member: Members will not be permitted to withdraw membership during the Construction Phase.



Governance

Governing Board:

The LLC will be governed by a Governing Board (the “Board”). Each Member shall appoint two representatives to the Board. Each Board representative will owe fiduciary duties of loyalty and care to all Members.

Each Member will be entitled, at any time, to remove and replace its Board representatives.

The Board may, in its discretion, add at-large non-voting members to the Board.

Council of Managers

A Council of Managers (the “Council”) shall consist of one representative from each Member. Each Member shall designate one of its Board representatives to serve as its Manager on the Council. Some decisions may be reserved for the Council, the votes of which will be by membership interest. Each Member's Manager shall vote its membership interest on Council matters.

All officers of the Board shall be nominated from the ranks of the Council.



POST-CONSTRUCTION

Summary of Phase:

After construction of the facility is complete, the LLC will assume management of the facility and will operate it for the benefit of the Members.

Entity

The LLC formed during the Preconstruction Phase will own, operate and manage the facility following occupancy.

Membership

Admission of New Members:

Once the Construction Phase of the project is complete, new Members may be added subject to the following terms:

- Must be approved by Members owning at least two-thirds of existing membership interests in the LLC.
- Must be a Christian worshipping community with Code Section 501(c)(3) tax-exempt status.
- Investment must be made in the form of cash, and shall be paid into the LLC's Capital Reserve Fund.
- A new Member's investment will result in that new Member holding a percentage interest in the LLC determined in relation to the investment amount and a third-party valuation performed by a qualified appraiser mutually acceptable to the LLC and the new Member.

The new Member's interest will be determined by a fraction, the numerator of which is the amount of the new Member's contribution, and the denominator of which is the sum of the new Member's contribution and the value of the LLC net assets.

Existing Members' interests will be adjusted accordingly. Each existing Member's new membership interest will be determined by a fraction, the numerator of which is equal to the Member's current membership interest multiplied by the value of all of the LLC net assets, and the denominator of which is the sum of the new Member's additional equity contribution and the value of the LLC net assets.

Increase of an Existing Member's Interest:

Any Member may seek to increase its investment and, correspondingly, its membership interest in the LLC. Members owning at least two-thirds of the other membership interests in the LLC must approve any such increase. Further, no Member may increase its total membership interest to greater than 50% of the LLC without the unanimous consent of all Members.



Any additional investment by a Member must be made in the form of cash, and shall be paid into the LLC's Capital Reserve Fund. Any such additional investment will result in an increased membership interest in the LLC by that Member determined in relation to the Member's existing membership interest in the LLC, the additional investment amount, and a third-party valuation performed by a qualified appraiser mutually acceptable to the LLC and the Member.

The Member's new membership interest will be determined by a fraction, the numerator of which is the sum of the Member's existing investment and additional equity contribution, and the denominator of which is the sum of the Member's additional equity contribution and the value of all of the LLC net assets.

The other Members' interests will be adjusted accordingly. Each existing Member's new membership interest will be determined by a fraction, the numerator of which is equal to the Member's current membership interest multiplied by the value of the LLC net assets prior to the additional equity contribution, and the denominator of which is the sum of the additional equity contribution and the value of all of the LLC net assets.

Sale of Membership Interest:

If a Member seeks to sell all or a portion of its membership interest in the LLC, the other Member Organizations shall have the first opportunity to purchase the selling Member's interest. Each other Member will be entitled to purchase the lesser of its pro rata portion of the selling Member's interest or that portion of the selling Member's interest that would bring the purchasing Member's total membership interest up to 50% (absent unanimous consent to increase a Member's interest above 50%).

If any of the Members choose not to purchase its full pro rata portion of the selling Member's interest, each Member that did choose to purchase its full pro rata portion will be given the opportunity to purchase up to the lesser of its pro rata portion of the selling Member's interest or that portion of the membership interest that, together with the other membership interest being purchased by that Member, would bring that Member's total membership interest up to 50% (absent unanimous consent to increase a Member's interest above 50%).

If, after each of the two preceding steps, any portion of the selling Member's interest has not been purchased, the selling Member may sell its remaining membership interest to a non-Member that, by consent of the Members holding at least two-thirds of the membership interests in the LLC, meets the Membership criteria. Consent shall not be unreasonably withheld by any Member. If the selling Member believes that consent to the non-Member's admission is being unreasonably



withheld, the parties must resolve the dispute according to the terms set forth in "*Dispute Resolution Procedures*" below.

Effect of Dissolution of Member:

If any Member is dissolved, the Member's regional church body or successor will become the successor owner of the Member's interest. The regional body will immediately become a non-voting member of the LLC and may then, upon the consent of Members holding at least two-thirds of the membership interests in the LLC:

- Elect to retain ownership of the membership interest, with full rights and obligations of a Member;
- Elect to assign the membership interest to another worshipping community within its organization that is willing and capable of fulfilling the membership obligations; or
- Elect to sell the interest subject to the requirements of "*Sale of Membership Interest*" above.

Removal of Member:

Any Member may be removed if Members holding at least two-thirds of the membership interests in the LLC determine that the Member's continued participation in the LLC threatens the integrity and viability of ministry of the other Member Organizations.

Upon removal, the removed Member may sell its interest pursuant to the requirements of "*Sale of Membership Interest*" above.

Limitations on Use of Membership Interests:

Members may not pledge their membership interests to non-Members

Governance

Governing Board:

The LLC will be governed by a Governing Board (the "Board"). Each Member shall appoint two representatives to the Board. Each Board representative will owe fiduciary duties of loyalty and care to all Members.

Each Member will be entitled, at any time, to remove and replace its Board representatives.

The Board may, in its discretion, add at-large non-voting members to the Board.

Council of Managers

A Council of Managers (the "Council") shall consist of one representative from each Member. Each Member shall designate one of its Board representatives to serve as its Manager on the Council. Some decisions may be reserved for the Council, the votes of which will be by membership interest. Each Member's Manager shall vote its



membership interest on Council matters.

All officers of the Board shall be nominated from the ranks of the Council.

Daily Operations:

The daily operations of the LLC will be managed and staffed by officers and general employees hired by the Board with expertise in property management, facilities operation, maintenance, and security. The staff will coordinate production of special events, particularly with regard to memorial service and wedding coordination, and the facilitation of programming by Members and other users.

Actions Requiring Approval of Council of Managers:

The following actions shall be approved by vote of the Council of Managers representing a majority of the membership interests:

- Approval of any lease tenant of facilities owned by the LLC.
- Approval of rules of conduct for any renters or leasing tenants of the LLC facilities.
- Making any loan or advance to any person outside the ordinary course of business.
- Approval of any lease tenant of the LLC facilities that is a non-Member worshipping community.
- Hire, fire, or change the compensation of any officer of the LLC.
- Approval of any distributions from the Ecumenical Campus Mission Fund described in "***Allocation and Distribution of Funds***" below.

Approval by vote of the Council of Managers of at least two-thirds of the membership interests will be required to approve any of the following actions:

- Commencement of any litigation, arbitration, or administrative proceeding relating to the operation or property of the LLC.
- Incurring any debt of the LLC in excess of \$_____ other than trade credit incurred in the ordinary course of business.
- Entering into any transaction with any officer or Member of the LLC.

Actions Requiring Member Approval:

Each action requiring Member approval must first be recommended for approval by a vote of the Council of Managers constituting a majority of the membership interests. With respect to any matter submitted to



the Members for a vote, the governing body of each Member shall express its vote in the manner customary for that Member.

Approval by Members holding at least two-thirds of the outstanding membership interests of the LLC will be required to approve any of the following actions:

- Entering into a sale or encumbering any real property owned by the LLC.
- Any increase by an existing Member of its investment in the LLC.
- Any amendment or termination of the LLC agreement.
- The admission of a new Member.
- Removal of any Member from the LLC.
- Dissolution of the LLC.

Dissolution of LLC:

Upon a two-thirds consent by the Members to dissolve the LLC, the LLC assets shall be distributed to the Members in proportion to their membership interests in the manner determined by the Council.

Use and Management of Property

LLC Facilities:

LLC facilities will be owned by the LLC and occupied by the Member Organizations. The LLC facilities will include worship and assembly spaces, administrative facilities, and fellowship and education facilities. Each Member will pay usage fees to the LLC for that Member's use of facilities assigned to that Member.

The LLC may also allow nonmember worshipping communities to operate at the LLC facilities as rent-paying tenants. The Board will consider any such potential tenants on a case-by-case basis.

Parking Garage(s):

The LLC will own the garage(s), which will be operated as a revenue-producing resource part of the time. Garage operations may be handled through a lease to a parking operator or directly by the LLC.

Spaces to be Leased:

- Tenant program space will be leased for occupancy by nonprofit agencies providing essential human services.
- Tenant office space may be leased to mission-related nonprofit groups, such as service agencies, ecumenical organizations, advocacy groups, and regional church bodies. This space may also serve as flex space for Member administrative operations.



- Commercial storefront space may be leased to unaffiliated commercial tenant(s) as a revenue-producing resource.

Financial Management

Financial Decisions:

The Board will make all strategic decisions regarding management of the LLC's finances, subject to any specific Member approvals that may be required with respect to a given issue. The officers of the LLC will carry out all tactical financial activities according to policies enunciated by the Board.

Allocation and Distribution of Funds:

Operating costs will be the first items deducted from the gross revenues received by the LLC. Operating costs include routine maintenance of the LLC facilities, insurance, taxes, utilities, marketing expenses, debt service, general office expenses, and staff wages and salaries.

After payment of operating costs, the LLC shall make sufficient deposits as necessary to maintain an "Operating Reserve Fund," which will be used to fund cash-flow needs in the operating budget. The Operating Reserve Fund shall be maintained at a target balance equal to one quarter of the current annual operating budget or, at the end of each fiscal year, one quarter of the following year's operating budget.

The LLC shall make sufficient deposits as necessary to maintain a "Capital Reserve Fund," which will be used for future building repairs and improvements. The Capital Reserve Fund will be established with an initial deposit at project completion, the amount of which will be determined by the Board. The board may make distributions from the Capital Reserve Fund in proportion to membership interests.

A percentage, determined by the Board, of remaining funds shall be deposited into an "Ecumenical Campus Mission Fund," which will be used to fund grants to the community. Any distributions from this Fund will be made at the discretion of the Board.

Remaining net revenues shall be distributed to the Members in direct proportion to membership interests held. These distributions will be made annually at the close of the fiscal year.

Financial Relationship Among Members:

Each Member will be entitled to receive net distributions from the LLC as described above. Members will, however, also still be able to receive direct charitable contributions from other sources, including parishioner tithing, grants, etc. Further, due to the LLC's structure as an LLC, any debt incurred by a Member on its own behalf will not attach to the assets of the other Members or the LLC.



ADMINISTRATIVE

Tax Effects and Compliance

Legal Structure of LLC: The LLC is designed to be a joint venture among 501(c)(3) religious congregations and campus ministries (the "Members"). This plan is not a merger of the Members; instead, each Member of the LLC will continue to maintain its separate legal identity, and with it, its own tax-exempt status. The LLC itself will be a new limited liability company in which each of the Members will own a membership interest proportionate to its investment in the LLC. The LLC is anticipated to qualify for federal tax-exempt status as a 501(c)(3) organization and an "association of churches" as defined in the Internal Revenue Code.

Dispute Resolution

Dispute Resolution Procedures:

In case of any dispute among the Members as to an action to be taken by the LLC, the Members will work in good faith to reach a consensus decision. If no consensus is reached, the decision will be provided to the Council of Managers for a vote, according to the provisions of "***Actions Requiring Approval of Council of Managers***" and "***Actions Requiring Member Approval***," above.

If a vote of the Council of Managers does not resolve a conflict among the Members, or if there is a dispute regarding the sale of membership interests, the withdrawal of a Member, or the approval of a new Member in connection with the sale of a Member's interest, the dispute will be submitted to a panel of three current or retired denominational executives.

If a dispute is submitted to a panel of denominational executives, but the parties to the dispute do not agree to implement the recommendation of that panel, the parties will submit the dispute to binding arbitration under the rules of the American Arbitration Association.