

BY-LAWS OF NACCAS

ARTICLE I - NAME

**NATIONAL ACCREDITING COMMISSION OF
COSMETOLOGY ARTS & SCIENCES, INC.**

A nonprofit corporation organized under the General Corporation Law of the State of Delaware, and said corporation is hereinafter referred to in the By-Laws as the Commission.

ARTICLE II - MAJOR AIMS AND PURPOSES

SECTION I

The objects of this Commission are those set forth in the Certificate of Incorporation, as from time to time amended. These purposes are as follows:

1. To provide an independent, autonomous agency to promote, further advance and develop standards of education and instruction in cosmetology arts and sciences, massage and cognate areas which serve to supplement the practical, scientific and business skills of these professions, by giving recognition through accreditation to schools offering programs in the cosmetology arts and sciences, massage or cognate areas which agree to and do maintain high standards of education in one or more fields within NACCAS' scope.
2. To encourage the most advanced practices and techniques in student recruitment and screening, testing procedures, nationally administered aid programs, standards of ethical and professional conduct and other activities and programs designed to advance and improve standards of service to the public in the field of cosmetology arts and sciences, massage and cognate areas.
3. To act as an accrediting agency for those schools and departments of schools providing instruction in cosmetology arts and sciences, massage and cognate areas which serve to supplement the practical, scientific and business skills of these professions, so as to maintain prescribed standards and assure quality programs to students attending said schools, to establish and maintain a national headquarters for the Commission and to fulfill all functions as required in these activities.
4. To cooperate with various organizations representing segments of cosmetology, massage and related industries for the purpose of maintaining and further improving the best interests thereof through education.
5. To engage in such other activities necessary and proper for the accomplishment of these objectives consistent with the public interest and the interest of the fields of cosmetology arts and sciences, massage and cognate areas.

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6. The Commission is organized exclusively for charitable, religious, educational, and scientific purposes, including for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law).
7. No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to, its members, Commissioners, officers, or other private persons, except that the Commission shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth above.

No substantial part of the activities of the Commission shall be the carrying on of propaganda or otherwise attempting to influence legislation, and the Commission shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office.

Notwithstanding any other provision of the Certificate of Incorporation and the By-laws, the Commission shall not carry on any other activities not permitted to be carried on (1) by a corporation exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law) or (2) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code of 1954 (or corresponding provision of any future United States Internal Revenue Law).

8. Upon the dissolution of the Commission, the Board of Commissioners shall, upon paying or making provision for the payment of all of the liabilities of the Commission, dispose of all assets of the Commission exclusively for the purposes of the Commission in such a manner, or to such organization or organizations organized and operated exclusively for charitable, educational, religious, or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any United States Internal Revenue Law), as the Board of Commissioners shall determine. Any such assets not so disposed shall be disposed of by the Circuit Court of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations as said Court shall determine, which are organized and operated exclusively for such purposes.
9. In any taxable year in which the Commission is a private foundation as described in Section 509(a) of the Internal Revenue Code of 1954, the Commission shall distribute its income for said period at such time and manner as not to subject it to tax under Section 4942 of the Code; and the Commission shall not (1) engage in any act of self-dealing as defined in Section 4941(d) of the Code; (2) retain any excess business holdings as defined in Section 4944 of the Code; or (3) make any taxable expenditures as defined by Section 4945(d) of the Code or corresponding provisions of any subsequent Federal tax laws.

10. To do any and all things necessary and lawful for the accomplishment of the foregoing purposes.

SECTION II

In furtherance of these objects, but not in limitation thereof, the Commission shall have the power:

1. To collect and disseminate data, statistics and other information.
2. To develop educational standards and business practices for accredited schools.
3. To promote sound accrediting practices and uniform accrediting methods.
4. To disseminate information of an educational character and to analyze subjects relating thereto.
5. To maintain a national office to survey, investigate and endeavor to coordinate all activities of institutional accreditation for the fields of cosmetology arts and sciences, massage and cognate areas which serve to supplement the practical, scientific and business skills of these professions.
6. To make appropriate awards and provide recognition in the field of accreditation for the field of cosmetology arts and sciences, massage and cognate areas which serve to supplement the practical, scientific and business skills of these professions.
7. To engage in any lawful activities which will enhance the efficient and economic progress of the field of accredited education in the cosmetology arts and sciences, massage and cognate areas which serve to supplement the practical, scientific and business skills of these professions, and apprise the public of its scope and character.

ARTICLE III - BOARD OF COMMISSIONERS

SECTION I - Administration

The administration of the Commission shall be vested in a Board of Commissioners (hereinafter called "Commissioners" or "Commission"). The number of Commissioners shall be thirteen (13), but such number may be increased or decreased by amendment to these By-Laws in the manner set forth in Article XV hereof. When the number of Commissioners is so decreased by the amendment adopted by the Board of Commissioners, each Commissioner in office shall serve until his or her term expires, or until his or her resignation or removal as herein provided.

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SECTION II - Representation

The pattern of representation of the Board of Commissioners shall be as follows:

- A. Seven (7) Commissioners representing schools in fields of training within NACCAS' scope: Of these seven (7) Commissioners, six (6) shall be elected to represent zones as determined by the Commission and one (1) shall be elected in an at-large manner.
- B. Two (2) Commissioners representing professional services operations in fields within NACCAS' scope.
- C. Two (2) Commissioners who are academics.
- D. Two (2) Commissioners who represent the public interest.

SECTION III - Election of Commissioners

- A. The seven (7) Commissioners representing schools shall be elected as follows: six (6) by zones and one (1) at-large.
- B. The six (6) Commissioners representing the other fields shall be elected by the accredited schools at-large.
- C. All Commissioners shall be elected by mail ballot according to the election procedure set out in Article III - Section V.

SECTION IV - Eligibility: Qualifications and Commissioners

- A. All candidates for Commissioner representing schools in fields of training within NACCAS' scope as a condition precedent to nomination shall document that they meet the following qualifications:
 - 1. Have a total of at least five (5) years of administrative/supervisory experience in a school accredited by the Commission (of which the experience set forth in subparagraph 2 below may be counted as a part);
 - 2. Have been active in the day-to-day operation of school(s) accredited by the Commission in an administrative/supervisory capacity for the three (3) years immediately preceding his/her election; and
 - 3. Also:
 - I. Be sole owner of school(s) accredited by the Commission; or

- II. With respect to a partnership or a privately held corporation be a person who owns at least a 10% interest in a school(s) accredited by the Commission and have a direct and abiding interest in the performance of the school and the quality of education which it offers. The Nominating Committee shall be vested with the responsibility of determining whether such an interest exists, subject to the review of the full Commission; or
 - III. Be an officer of a publicly held corporation, which owns school(s) accredited by the Commission.
 - IV. Have no interest in any institution, which has had its accreditation withdrawn (appeal rights exhausted) or which has voluntarily relinquished accreditation while the institution was in withdrawal status, during the past five years.
- B. All candidates for Commissioner representing professional services in fields within NACCAS' scope as a condition precedent to nomination shall meet the following qualifications:
- 1. Be licensed in a field within NACCAS' scope;
 - 2. Have a total of at least five (5) years of administrative/supervisory experience in a professional service which employs at least one other person licensed in a field within NACCAS' scope (of which the experience set forth in subparagraph 3 below may be counted as a part);
 - 3. Have been active in the day-to-day operation of the professional service operation in an administrative/supervisory capacity for the three (3) years immediately preceding his/her election;
 - 4. Not be an owner in full or in part, nor a member of a partnership or a stockholder in a corporation which is the owner of any school offering programs within NACCAS' scope, and not be active in the management of any school offering programs within NACCAS' scope; and
 - 5. Also:
 - I. Be sole owner of a professional service operation; or
 - II. With respect to a partnership or privately held corporation which owns a professional service operation, be a person who owns a sufficient interest in the operation to have a direct and abiding interest in its performance and business success. The Nominating Committee shall be vested with the responsibility of determining whether such an interest exists, subject to review by the full Commission; or

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- III. Be an officer of a publicly held corporation which owns a professional service operation.
- C. All candidates for Commissioner representing the academic field as a condition precedent to nomination shall:
 1. Have expertise and current teaching experience in post-secondary education.
 2. Have knowledge in pedagogy and in the development of curriculum; and
 3. Have experience in school accreditation.
 - D. All candidates for Commissioner representing the public interest shall
 1. Not be an employee, member of the governing board, an owner in full or in part, nor a member of a partnership or a stockholder in a corporation which is the owner of any school or professional service operation, or consultant to an institution or program offering programs or services in a field within NACCAS' scope, and shall not be active in the operation of any school or professional service operation offering programs or services in a field within NACCAS' scope, whether accredited by NACCAS or not;
 2. Not be a member of any trade association or membership organization related to, affiliated with, or associated with NACCAS; and
 3. Not be a spouse, parent, child, or sibling of an individual identified in sub-clause 1, or 2 of this clause.
 - E. No person may serve simultaneously as a member of the Commission and as an Officer or member of the Board of Directors of an organization dedicated to the interests of any field within NACCAS' scope. A person holding such other office may be nominated as a Commissioner but, if elected, must immediately tender a resignation from such office to the other organization, such resignation to be effective no later than the commencement of his or her term as Commissioner. A Commissioner-elect may not be seated until such resignation has been tendered.
 - F. All members of the Commission shall agree to abide by the NACCAS Code of Ethics as may from time to time be promulgated, and shall refrain from discussing or voting on any action before the Commission or Committee of the Commission which represents a conflict of interest.

SECTION V - Method of Selection of Commissioners

The method of electing and selecting Commission members shall be as follows:

- A. The Commission Chair, with the advice and consent of the Commission, shall appoint a Nominating Committee consisting of at least three (3) seated Commissioners to make recommendations to the Commission regarding replacements for Commissioners whose terms of office will expire.
- B. Choosing a Slate:
1. To the extent practicable, the Nominating Committee shall endeavor to interview the candidates for Commissioner. They shall review and take into consideration information on the nominees, including, if appropriate, the record and status of any accredited school(s), and standing with State licensing agencies. The Nominating Committee shall be vested with the responsibility of determining whether candidates in the school owner field have a direct and abiding interest in the performance of the schools and the quality of education they offer, subject to the review of the full Commission;
 2. The Nominating Committee shall, prior to the summer meeting of each year, prepare a single slate of at least two (2) candidates to replace each member of the Commission whose term of office is expiring¹ unless there is only one qualified candidate under Article III, Section IV of these By-Laws, seeking such an office, in which case the Nominating Committee may prepare a slate of one.

The candidate representing the school field shall reside in the zone of the corresponding school Commissioner whose term of office is expiring. If the Commissioner is to be elected at-large the candidates may reside in any zone.

3. A list of candidates for each vacancy shall be reported to the Commission at least ten (10) days prior to the summer Commission meeting. The Nominating Committee shall have available at that Commission meeting the resumes and all other pertinent material from all applicants. At that meeting, the Commission shall consider the list of candidates and nominations from the floor. No candidate can be placed on the slate pursuant to a nomination from the floor without an affirmative vote of the majority of Commissioners in attendance and voting. The person who is nominated from the floor shall have agreed in writing to have his or her name placed in nomination and his or her eligibility shall be established prior to the Commission's consideration of such candidacy. The Commissioner placing such name in nomination from the floor shall have the burden of establishing the candidate's desire to run and his or her eligibility.
4. Candidates for the Commission are eligible to run only from their state of legal residence.
5. No two people from the same business entity may serve simultaneously on the Commission.

¹ Terms expire on December 31 of the last year of the term.

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6. The nominees for each vacancy receiving the greatest number of votes shall be declared the official nominees.

C. The Election Process

1. The Executive Director of the Commission, shortly after the Commission meeting in which the nominees were selected, shall announce the candidates names. By November 1 each year, the Executive Director shall transmit the official list of nominees to all schools accredited by the Commission, together with a ballot so that the administrators of the accredited schools may record their votes and return the marked ballots. Only ballots returned with postmarks on or before November 30 and received no later than December 5 shall be counted.
2. For the purpose of determining accredited schools entitled to vote for Commissioners, the Chair of the Commission shall provide that the list of accredited schools be closed as of October 15.
3. An independent accounting firm will be selected to conduct the mailing of ballots and vote tabulation for the election of Commissioners. The list of schools eligible to vote in the election will be furnished to the accounting firm by the Executive Director and the results of the voting will be reported to the Commission Chair by the accounting firm in an expeditious manner.
4. Voting by proxy shall not be permitted.
5. The candidate receiving the greatest number of votes for a Commissioner position shall be declared the winner.

SECTION VI - Actions by the Board of Commissioners

- A. All actions by the Board of Commissioners require a simple majority of those present and voting unless otherwise specified.
- B. Any action required by the statutes or these By-Laws to be taken at a meeting of the Commissioners, or any other action which may be taken at a meeting of the Commissioners, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Commissioners entitled to vote with respect to the subject thereof.
- C. Attendance of a Commissioner at a meeting shall constitute waiver of notice of such meeting, except where a Commissioner attends a meeting with the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

SECTION VII - Terms of Commissioners

- A. Each Commissioner shall be elected for a three-year (3-year) term. Newly elected Commissioners shall take office the first day of the calendar year. Commissioners shall not serve more than two (2) consecutive elected terms. Where a Commissioner has been appointed to fill a vacancy of the Commission, that Commissioner, if eligible under Article III, Section IV of these By-Laws, may subsequently run for office and serve for two (2) consecutive elected terms in addition to his/her original partial term, if the partial term is eighteen (18) months or less in length.

Notwithstanding the foregoing, a Commissioner who is ineligible to serve on account of having served two consecutive terms shall remain ineligible to serve for the three (3) year term immediately following his or her last term of service, but may thereafter, if otherwise qualified, be fully eligible to serve as provided under this Section.

Commissioners who serve a shortened or lengthened term during the period of transition to three-year terms shall be treated as though they had served a three-year term. Currently seated Commissioners may be nominated for a consecutive three-year term, and if elected, will be considered to have served two consecutive terms.

SECTION VIII - Continuing to Qualify and Vacancies in Commission Membership

- A. At each regularly scheduled Commission meeting each Commissioner shall attest that he or she continues to fulfill the qualifications for the category of Commissioner represented. If the Commissioner cannot attest to meeting the qualifications in the category to which he or she was elected he or she shall resign immediately. If the Commission has reasonable cause to believe that a Commissioner does not meet the qualifications, the Commission shall refer the matter to an independent panel pursuant to Article XX of the By-Laws.
- B. If a school in which a Commissioner holds an ownership interest loses its accreditation (appeal rights exhausted) or voluntarily relinquishes accreditation while the school is in withdrawal status, the Commissioner's position shall be vacated at the same time the appeal is denied, or 20 days after withdrawal if there is no appeal, or upon voluntary relinquishment; no further vote shall be required.
- C. Any Commissioner who shall have been absent from full attendance at two (2) consecutive regular meetings of the Commission shall automatically vacate his/her seat on the Commission and the vacancy shall be filled as provided by these *By-Laws*; however, the Commissioners shall consider each absence of any Commissioner as a separate circumstance, and may expressly waive such absence by affirmative vote of a majority of its members.

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- D. In case of any vacancy in the Commission membership, the Chair, with the approval of the Executive Committee, shall appoint a qualified person to fill any unexpired term. Such appointment shall be effective only after approval by a majority of the Commissioners either by mail ballot or at a meeting of the Commission.

SECTION IX - Manifestation of Dissent

A Commissioner who is present at a meeting of the Commission at which action on any corporate matter is taken shall be presumed to have assented to the action unless his or her dissent is entered in the minutes of the meeting or unless such Commissioner shall file his/her written dissent by certified mail to the Secretary of the Corporation within ten (10) days after adjournment of the meeting. Such right to dissent shall not apply to a Commissioner who voted in favor of such action.

ARTICLE IV - POWERS AND RESPONSIBILITIES OF THE COMMISSION

The Commission's powers and responsibilities, which are not subject to review by any other body, are enumerated below but not limited thereto:

- A. To establish and promulgate standards for the self-study, evaluation and accreditation of schools and departments of cosmetology arts and sciences, massage and cognate areas. For this purpose, the standards shall include but not be limited to information and investigation within the following areas:
1. Posture
 2. Curriculum
 3. Clinic
 4. Instructional Materials
 5. Instructional Staff
 6. Instructional Methods
 7. Student Personnel Services
 8. Space and Facilities
 9. Student Recruitment and Admission
 10. Tuition, Fees, and Refunds
 11. Ownership, Management, and Ethical Operation
 12. Financial Responsibility
- B. To provide a schedule of fees which will insure the financial stability of the Commission and manage finances according to the Commission's Investment Policy, appended to these By-Laws.
- C. To receive applications for evaluation from institutions within the Commission's scope of accreditation.

- D. To appoint qualified examiners and provide for comprehensive evaluation procedures.
- E. To provide an appeals process in cases when the Commission takes an adverse action on accreditation, with such process to be specified in the *Rules of Practice and Procedure*.
- F. To ensure that an institution's accredited status is preserved during the pendency of an appeal, and to establish procedures governing the confidentiality of the accreditation process.
- G. To issue a directory of accredited institutions.
- H. To make available to the public, current information concerning the standards and criteria for accreditation, and the operation of the Commission.
- I. To reevaluate, at reasonable intervals, each accredited institution.
- J. To evaluate federal and state legislative and regulatory or other proposals which affect accrediting agencies in general, or the Commission in particular, and take appropriate action relating thereto consistent with the Commission's tax-exempt status.
- K. To exercise such other powers as are necessary to carry out the functions of the accrediting agency.

ARTICLE V - MEETING

SECTION I

The annual meeting of the Commission shall be the first meeting of each calendar year at which Commissioners are physically present. Two-thirds of the Commission shall constitute a quorum at the Annual Meeting or any prescribed Commission meeting under Section II (below).

The agenda of the annual meeting of the Commission shall include the election of the new Chair and the Officers, receipt of the annual report of the immediate past Commission Chair, Officers and Committees, and the transaction of all other business. The date and place of the annual meeting shall be fixed by the Commission. Notice of such meeting, stating the date, place and time of the meeting, signed by the Secretary, shall be mailed to the last recorded address of each Commissioner at least thirty (30) days before the time appointed for the meeting.

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SECTION II

A special meeting may be called by the Commission Chair with approval of the Executive Committee, or at written request to the Chair by any seven (7) Commissioners. All Commissioners shall be notified in writing of each such meeting at least ten (10) days prior to the date of the meeting.

SECTION III

Executive Committee Meetings shall be called by the Chair with at least ten (10) days prior notice to the Executive Committee.

Three (3) members of the Executive Committee shall constitute a quorum.

SECTION IV

If a meeting cannot be organized because a quorum has not attended, then those present may adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is presented or represented, any business may be transacted that might have been transacted at the meeting as originally called.

SECTION V

All notices shall be deemed to be delivered when deposited in the United States mail addressed as it appears on the records of the Commission with the postage thereon prepaid.

SECTION VI

Whenever any notice whatsoever is required to be given under the provisions of the statutes or under the provisions of the Articles of Incorporation or of these By-Laws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE VI - MANAGEMENT

SECTION I

The Commission shall establish an administrative office to perform the management functions related to the Commission's work.

SECTION II

The Commission shall employ such executive officers and such other professional staff as is necessary to carry out the work of the Commission.

ARTICLE VII - OFFICERS

SECTION I

The officers of the Commission shall be: Chair, First Vice-Chair, Second Vice-Chair, Secretary, and Treasurer.

SECTION II

The Chair, Vice-Chairs, Secretary and Treasurer shall be elected by the Commission from the members of the Commission, and will have served at least one year on the Commission by the time they take office. The officers shall serve a one-year-term commencing at the conclusion of the meeting at which they are elected. Any officer may serve more than one term.

The election of officers shall be by secret written ballot of Commissioners physically present at the meeting at which the elections are held. Voting by proxy shall not be allowed. The candidate with the majority of the votes cast shall be declared the winner in each election.

Ballots shall be pre-printed with the slate proposed by the Nominating Committee. Any nominations from the floor shall be written in by a person designated by the chair of the Nominating Committee. Each Commissioner shall receive a ballot for the position to deposit in a receptacle designated by the chair of the Nominating Committee.

The chair of the Nominating Committee shall read the ballots in front of the Commission to be confirmed by the candidates for the position. The winner shall be announced by the chair of the Nominating Committee. Ballots shall be available until the count is confirmed, then destroyed.

SECTION III

The Chair, Vice-Chairs, Secretary and Treasurer shall comprise the Executive Committee of the Commission. The Commission Chair shall serve as Chair of the Executive Committee. The immediate past Chair of the Commission shall serve as an ex-officio member of the Executive Committee. The immediate past-Chair's Executive Committee membership shall be limited to one (1) year, providing that the immediate past-Chair is still a member of the Commission.

SECTION IV - Duties of Officers

- A. It shall be the duty of the Commission Chair to preside, to appoint members of standing and ad hoc committees authorized by the Commission, to serve as Chair of the Executive

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Committee, to call special meetings of the Commission and/or of the Executive Committee pursuant to Article V, to jointly prepare the agenda for such meeting with the Executive Director, to expedite resolution of complaints against commissioners, and to sign all certificates of accreditation.

The Chair shall preside at the meetings of the Commission and shall, at the annual meeting of the Commission and such other times as he or she shall deem proper, communicate to the Commission such matters and make such suggestions as may, in his or her opinion, tend to promote the welfare and increase the usefulness of the Commission, and shall perform such other duties as are necessarily incident to the Office of the Chair of the Commission. He shall sign all contracts entered into by the Commission except where such authority is specifically delegated to another officer or member of the Commission. He/she shall perform all duties pertaining to the office.

- B. In the absence of the Commission Chair, the first Vice-Chair shall preside at Commission meetings. In case of vacancy in the office of Chair, the first Vice-Chair shall succeed at once to the office of Chair and shall serve for the remainder of the term. In the absence of, or in the case of a vacancy in the office of First Vice-Chair, the second Vice-Chair shall serve in the office for the remainder of the term of office. In the event of a vacancy in the office of the second Vice-Chair, the Chair shall appoint a Commissioner to serve out the balance of the term with the approval of the Commission. The officers shall continue to serve until newly elected officers are designated by the Commission.
- C. The duties of the Secretary of the Commission shall be to act as a recording secretary. The Secretary shall maintain all the records of the Commission. He or she shall be responsible for the minutes of all meetings of the Executive Committee and special or regular meetings of the Commission and perform such other duties as may be required of the Secretary of this Commission. The Secretary may call upon the services of the Executive Office for assistance in carrying out these duties.
- D. The Treasurer shall be responsible for the general financial procedures of the Commission, including the accounting of all monies received and expended. He or she shall be the custodian of all Commission funds. The Treasurer shall have oversight responsibilities over the accounting services, insurance, Commission investments and employee benefits.

He or she shall serve as Chair of the Finance Committee, and with the advice and consent of such Committee, implement day-to-day financial and accounting procedures to safeguard and protect the financial interests of the Commission. He or she shall contract for annual financial audits and receive the audits. The Treasurer may call upon the services of the Executive Office in carrying out the foregoing duties. He or she shall have direct oversight of the Director of Finance. He or she shall perform such other duties of a treasurer as may be required.

Before entering upon his or her duties, the Treasurer shall, at the request of the Commission, furnish a surety bond procured at the expense of the Commission, in a sum to be fixed by the Commission, as security for the faithful discharge of his or her duties.

- E. In the event the office of either Secretary or Treasurer shall become vacant, the Commission Chair, with the advice and consent of the Executive Committee and the Commission, shall appoint another member of the Commission to complete the remainder of the term of office.

SECTION V - Election of Officers

- A. Prior to the annual meeting the Chair of the Commission shall appoint a Nominating Committee of three (3) Commissioners, to be known as the Officer Nominating Committee.

The Officer Nominating Committee shall prepare a slate of only one candidate for each officer position to present at the annual meeting in any calendar year. Any committee member who places his/her name under consideration for an officer position must promptly resign from the nominating committee and the chair of the Commission shall appoint a replacement.

At the meeting at which officers are elected, nominations may be made from the floor.

- B. Officers shall be elected by a majority vote of the Commission members physically present and voting. Any tie shall be put to a re-vote. If this second vote results in a tie, it shall be broken by the vote of the Commissioner chairing the election. This in no way limits the right of the chair to vote for officers.
- C. The officers of the Commission shall hold office for one calendar year or until their successors are chosen and qualify. Any officer or agent, elected or appointed by the Commission, may be removed by the Commission whenever, in its judgment, the best interests of the Commission will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any vacancy occurring in any office of the Commission by death, resignation, removal, or otherwise shall be filled by the Commission.

ARTICLE VIII - DUTIES OF COMMITTEES

SECTION I

The Executive Committee shall implement Commission policies and transact the business of the Commission during the intervals between meetings, as determined by the policies and directives of the Commission. It shall be the duty of the Executive Committee to oversee formation of the list of appeal review Panelists, and to select names from the pool of qualified Panelists to form Appeal Review Panels.

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SECTION II

The Commission shall have Standing and Ad Hoc Committees which are responsible to the entire Commission in the performance of their assigned duties. The specific duties of all Committees shall be determined by the Executive Committee and shall be approved by the full Commission. The Commission may increase or decrease the number of Committees at any time. Ad Hoc Committees shall be promptly discharged when their functions have been performed.

SECTION III

Appeal Review Panels shall be constituted according to procedures set out in the *Rules of Practice and Procedure*. They shall not be considered committees of the Commission.

SECTION IV

The Commission shall have a standing Committee on Re-recognition including at least two former Commissioners, if available, who, while members of the NACCAS Board of Commissioners, served on a Committee on Re-Recognition, to make recommendations to the full Commission on issues related to Re-Recognition by the Secretary of Education.

SECTION V

Committees shall present recommendations to the full Commission, but shall not have the authority to grant or deny any accreditation status to any institution or to formulate policy. No Committee of the Commission, individual Commissioner, or group of Commissioners has the authority to override a decision of the full Commission.

ARTICLE IX - DUTIES OF THE COMMISSION EMPLOYED PERSONNEL

The duties of the executive officer(s) employed by the Commission will be determined by the Executive Committee and approved by the Full Commission.

ARTICLE X - COMPENSATION

Any member of the Commission, including officers, and any committee member, with the approval of the Commission may be reimbursed for any reasonable expenses incurred in connection with the performance of the Commission's duties properly delegated to him or her. Any member of the Commission or employee may be otherwise compensated for performance of duties if the Board shall so determine.

ARTICLE XI - ACCREDITATION STANDARDS AND PROCEDURES

The Commission shall approve the Standards and Criteria for evaluation to be applied and the procedures to be followed in securing all data necessary for consideration of the qualification for accreditation or continuation of accreditation of an applicant school. Such Standards and Criteria and such procedures shall be set forth by the Commission and the Commission shall complete a comprehensive review of the standards and procedures at least every five years with involvement by persons, institutions, and organizations affected by or with an interest in the quality of education in any field within NACCAS' scope and postsecondary education, and the Commission shall carry out internal reviews of selected Standards and Criteria and the procedures at least once a year and make any revisions that it deems desirable and necessary to assure the Standards and procedures are sufficiently rigorous to ensure that an institution which is granted accredited status provides a quality education to its students.

ARTICLE XII - EXEMPT ACTIVITIES

Notwithstanding any other provisions of these By-Laws, no Commissioner, officer, employee or representative of this Commission shall take any action or carry on any activity by or on behalf of the Commission not permitted to be taken or carried on by an organization exempt under Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may hereafter be amended, or by an organization, contributions to which are deductible under Section 170(c)(2) of such code and Regulations as they now exist or as they may hereafter be amended.

ARTICLE XIII - PROHIBITION AGAINST SHARING IN CORPORATE EARNINGS

No Commissioner, officer, or employee of, or member of a committee, or person connected with the Commission, or any other private individual shall receive at any time any of the net earnings or pecuniary profit from the operations of the Commission, provided that this shall not prevent the payment to any such person of such reasonable compensation for services rendered to or for the Commission in effecting any of its purposes as shall be fixed by the Commission; and such person or persons shall be entitled to share in the distribution of any of the corporate assets upon the dissolution of the Commission. All members of the Commission shall be deemed to have expressly consented and agreed that upon dissolution or winding up of the affairs of the Commission, whether voluntary or involuntary, the assets of the Commission, after all debts have been satisfied, then remaining in the hands of the Commission, shall be distributed, transferred, conveyed, delivered and paid over, in such amounts as the Commission may determine or as may be determined by a court of competent jurisdiction upon application of the Commission, exclusively to charitable, religious, scientific, testing for public safety, literary or educational organizations which would qualify under the provisions of Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may hereafter be amended.

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ARTICLE XIV - OPERATIONS AND FISCAL YEAR

The operational and fiscal year of the Commission shall be from July 1, through June 30, of each calendar year.

ARTICLE XV - AMENDMENTS

SECTION I

Amendments, alterations, or repeal of these By-Laws, either in whole or in part will be effective only by a two-thirds (2/3) vote of the Commissioners present and voting at any duly organized meeting of the Commission, regular or special, provided the proposed changes have been published for comment to all accredited schools and filed with the Secretary at least thirty (30) days in advance of the meeting date and a notice of such amendments with a copy thereof, shall have been mailed to the Commissioners not less than thirty (30) days in advance of such meeting at which it is considering the change. Once a vote has been taken on a proposed amendment and has been defeated, it shall not be re-considered at a future meeting without the required comment period and notice.

SECTION II

Amendments or alterations to these By-Laws shall go into effect on the first day of January of the year following adoption of the amendment, unless the Commission specifies an earlier effective date.

ARTICLE XVI - MISCELLANEOUS PROVISIONS

SECTION I - Rules of Order

The order of business at all meetings of the Commission and the Commissioners shall be governed by Robert's Rules of Order.

Any questions as to priority of business shall be decided by the Chair without debate in accordance with Robert's Rules of Order.

SECTION II - Corporate Seal

The official seal of the Commission shall have inscribed thereon the name of the Commission and the date of incorporation and shall be in such form and contain such other words and/or figures as the Commission shall determine, and the uses of the seal shall be those prescribed by the Commission.

SECTION III - Effective Date

These By-Laws were duly adopted by a unanimous vote of the members of the Commission present at a meeting held in Salt Lake City, Utah on May 24-27, 1981 after thirty (30) days' appropriate notification, and are effective as of May 27, 1981.

ARTICLE XVII - INDEMNIFICATION

SECTION I

To the extent not inconsistent with Delaware law, from time to time, this Commission shall indemnify any person who was or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Commission) by reason of the fact that he or she is or was a Commissioner, officer, employee or agent of this Commission, or is or was serving at the request of the Commission as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprises against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of this Commission, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement or conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of this Commission, and with respect to criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

SECTION II

This Commission shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit or in the right of this Commission to procure a judgment in its favor by reason of the fact that he or she was or is a Commissioner, officer, employee, or agent of this Commission, or is or was serving at the request of this Commission as director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in and not opposed to the best interests of this Commission and except that no indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to this

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Commission unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

SECTION III

To the extent that a Commissioner, officer, employee or agent of this Commission has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections I and II above, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection herewith.

SECTION IV

Any indemnification under Sections I and II above (unless authorized by a court) shall be made by this Commission only as authorized in the specific case upon a determination that indemnification of the Commissioner, officer, employee or agent is proper in the circumstances because he has met the applicable standards of conduct set forth in Sections I and II above. Such determination shall be made (1) by the Commissioners by a majority vote of a quorum consisting of Commissioners who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or even if obtainable a quorum of disinterested directors so direct, by independent legal counsel in a written opinion.

SECTION V

Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by this Commission in advance of the final disposition of such action, suit or proceeding as authorized by the Commissioners in the manner provided above upon receipt of an undertaking by or on behalf of the Commissioner, officer, employee or agent to repay such amount unless it shall be ultimately determined that he or she is entitled to be indemnified by this Commission as authorized by this resolution.

SECTION VI

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-Law, agreement vote of disinterested Commissioners or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Commissioner, officer, employee or agent and shall inure to the benefit of heirs, executors, and administrators of such a person.

ARTICLE XVIII - CONTRACTS, LOANS, CHECKS AND DEPOSITS

SECTION I - Contracts

The Commission may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of the Commission on behalf of the Commission, and such authority may be general or confined to specific instances.

SECTION II - Loans

No loans shall be contracted on behalf of the Commission and no evidence of indebtedness shall be issued in its name unless authorized by resolution of the Commission. Such authority may be general or confined to specific instances.

SECTION III - Checks, Drafts, etc.

Checks, drafts, or other indebtedness issued in the name of the Commission shall be signed by such officer or officers, or agent or agents, of the Commission as shall be determined by resolution of the Commission. Such authority may be general or confined to specific instances.

SECTION IV - Deposits

All funds of the Commission not otherwise employed shall be deposited from time to time to the credit of the Commission in such banks, trust companies, and other depositories as the Commission may select.

ARTICLE XIX

In the event any officer or appointee named by the Commission shall become a member of or sit with another body for the purpose of representing the Commission or expressing the view of the Commission, or observing the deliberation of such body on behalf of the Commission, the opinion, advocacy, support, or endorsement of such officer or appointee regarding any policy of such body shall not be binding upon the Commission without ratification by the full Commission, which shall have sole authority.

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ARTICLE XX – COMPLAINTS AGAINST THE COMMISSION OR COMMISSIONERS

SECTION I - Complaint

- A. 30 days after incident: Complaints regarding the conduct of a Commissioner shall be in detail, in writing or typed, signed by the complainant, and submitted to the Chair or First Vice Chair of the Commission, if the complaint is concerning the Chair, within 30 days of the incident from which the complaint arises. The complaint shall state the name of the Commissioner, and contain relevant dates, briefly describe the actions forming the basis of the complaint, and identify all witnesses. A complaint based upon written evidence should be accompanied by copies of relevant documents. Any other documents or materials that support the allegations should accompany the complaint. Complainant must make a diligent effort to obtain witnesses. Members of the Board of Commissioners shall be barred from bringing any complaint arising from Commission action on a corporate matter, if he or she has not first complied with the requirements of Article III, Section IX.
- B. The Commission shall refer the complaint to an independent panel.

SECTION II - Independent Panel

- A. An independent panel shall be made up of the following:
1. One member of the Commission, for whom no conflict or perception of a conflict exists with any of the parties to the complaint, or a former Commissioner, if no seated Commissioner qualifies, to be selected by the Chair;
 2. One panelist with no current or past relationship to NACCAS selected by NACCAS' outside general counsel; and
 3. One panelist selected by the other two, who also has no current or past relationship to NACCAS.
- B. The Independent Panel shall hear the complaint allegations and defense in detail.
1. Where the allegations have been substantiated or where the Independent Panel has determined that the complaint was filed vexatiously, the action taken by the Independent Panel shall be final and unappealable. Actions the Independent Panel may take include but are not limited to:
 - I. Dismissal of the complaint;
 - II. Reprimand;
 - III. Order Attendance at a training or counseling seminar related to the offense by one or both of the parties;

- IV. Removal from the Commission of either the complainant, complained-against Commissioner, or both.
2. The decision of the Independent Panel shall be rendered within ninety (90) days of its formation and it shall be final, unappealable, and made part of the official record of the Commission. Complaints and witnesses, witness statements, or documents in support of a complaint not submitted within the above deadlines shall be barred by limitation. Complaints against Commissioners and proceedings under this section of the By-Laws shall be memorialized in a record maintained by the NACCAS Secretary. Complaints and the records on complaints shall be held in the strictest confidence, in accordance with NACCAS' Code of Ethics.

SECTION III - Costs

Half of the cost of the independent panel shall be borne by the complainant or the complained-against Commissioner, whichever party loses, or by both if both are found at fault. A Commissioner assessed costs shall be barred from Commission activities until costs have been paid.

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NACCAS CODE OF ETHICS

The National Accrediting Commission of Cosmetology Arts and Sciences (NACCAS) has adopted this Code of Ethics to assure that NACCAS, through its commissioners, officers, and employees, follows the highest ethical principles and continues to be worthy of the trust placed in it by the United States Department of Education and the schools which it considers for accreditation. Some of the principles set forth below are reflected in the Articles of Incorporation and the By-laws of NACCAS as well as in other policies approved by NACCAS. These principles and others have been brought together in a Code of Ethics to emphasize the importance of the manner in which the commissioners, officers, and employees conduct the activities of NACCAS. Adherence to these principles will ensure that the highest standards of integrity and dedication to the objectives and purposes of NACCAS will be maintained.

1. **INTEGRITY OF NACCAS** - Each commissioner, officer and employee of NACCAS is expected to respect the integrity of NACCAS. Accordingly, no commissioner, officer, or employee of NACCAS should be subject to influences, interests or relationships which conflict with the best interest of NACCAS and its objectives and purposes as set forth in its Articles of Incorporation and By-laws.
2. **OBSERVANCE OF MORAL AND ETHICAL STANDARDS OF SOCIETY** - Each commissioner, officer, and employee of NACCAS must adhere to and comply with the moral and ethical standards of our society in the conduct of the activities of NACCAS. The

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interests of NACCAS can never be served by individual actions ostensibly for the benefit of the Commission which do not reflect ethical and moral conduct above reproach.

3. CONFLICT OF INTEREST - A conflict of interest exists when the duty of loyalty to NACCAS, including the furtherance of its objects and purposes as set forth in its Articles of Incorporation and By-laws, can be prejudiced by actual or potential personal benefit from another source. Each commissioner, officer, and employee is expected to avoid any investment, interest or association which interferes with the independent exercise of judgment in the best interest of NACCAS and those persons for whose benefit NACCAS was formed. Disclosures of personal interests or other circumstances which might constitute conflicts of interest are to be reported promptly by the commissioner, officer, or employee to the Chairman of NACCAS for resolution in the manner best suited to the interests of NACCAS and such individual.

To control against conflict of interest or the perception of such conflicts, each commissioner shall disavow from discussion or voting on any action involving a school if:

- a. He or she owned or operated or served as a consultant to the school or had a contractual relationship with the school within the past five years (Commission consultations under Part 1 of NACCAS *Rules of Practice and Procedure* excepted);
 - b. The school is located in the state of his or her primary residence or in another state where the commissioner has interest in a cosmetology school;
 - c. Any person living in the same household as the commissioner, or an employee of the commissioner was a member of the evaluation team which conducted the on-site visit on which the action is to be based;
 - d. The school is owned or operated by a person who was employed by the commissioner at any time during the past five years; or
 - e. The commissioner has instituted a complaint against the school within the past five years.
4. CONFIDENTIALITY - Each commissioner, officer and employee of NACCAS owes a duty of confidence to NACCAS and the schools which it considers for accreditation. To this end, the deliberations of the Commission, including complaints against Commissioners, and meetings of any Appeal Review Panel, are to be held in strictest confidence and not to be discussed with any person not in attendance at the Commission meeting or complaint hearing. Furthermore, any and all information and documents pertaining to a school's accreditation are to be held in the strictest confidence and shall not be divulged to any other party except in accordance with policies and procedures approved by NACCAS.

5. **EQUAL OPPORTUNITY** - The law forbids discrimination in employment on the basis of race, color, sex, age, religion, national origin or handicapped status. Each commissioner, officer, and employee shall be committed to fair employment, including equal treatment in hiring, promotion, training, compensation, termination and disciplinary action.
6. **ABUSE OF POSITION** - No commissioner shall abuse his or her position to gain, for himself, herself or others, improper personal, material or pecuniary benefits.
7. **LEADERSHIP** - Each commissioner shall uphold the standards of the Commission and shall abide by all the rules, procedures and By-Laws of the Commission.

Revised 2/05

MASTER STATEMENT OF NACCAS' INVESTMENT POLICY AND OBJECTIVES

I. Introduction

The need for a written investment policy statement to guide the management of the Commission's portfolio decisions is of great importance in today's economic environment. A complex statutory and changing investment environment dictates the need for specific goals and objectives for the Commission's assets.

- A. The purpose of this statement is to establish a clear understanding of the investment policies and objectives for the Commission.

It is intended that these policies provide meaningful guidance for the Finance Committee's management of the Commission's assets and that they are not overly restrictive given the changing economic, business, and investment market conditions.

- B. This Master Statement will be reviewed on at least an annual basis. Appropriate modifications will be made in order to keep the Master Statement clear and meaningful.
- C. The primary concern in all investment management decisions shall be for the welfare of the Commission's members.
- D. The types of securities and investment thresholds specified by the Commission herein comply with the statutes and regulations applicable to accrediting commissions.
- E. The Portfolio should be structured so that the Finance Committee can be flexible to adjust asset allocation between various segments of the security markets, i.e., government and corporate bonds, and money markets or certificates of deposit, to protect capital and surplus and optimize net investment returns.

II. Investment Objectives

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The portfolio will be divided into the following three segments:

- The Short-term Investment Subaccount;
- The Intermediate Investment Subaccount; and
- The Long-term Investment Subaccount.

Each segment will have specific goals, objectives and investment guidelines. The short-term and Intermediate-term Investment Subaccounts are to:

- A. On an average annual compound rate of return basis exceed the average general purpose money market fund per Lipper Analytical Services net of fees, when measured over a full interest rate cycle or five years, whichever is sooner.
- B. On an average annual compound rate of return basis, exceed inflation as measured by the Consumer Price Index by half to three quarters percentage points, when measured over a full market cycle or five years, whichever is sooner.
- C. Achieve a positive rate of return every fiscal year, including unrealized gains and losses.

III. Investment Policies and Restrictions

Recognizing the potential disadvantages of setting absolute percentage allocation to each of the Subaccounts, the Trustees hereby set the following guidelines for the allocation to the Subaccount:

The Short-term Investment Subaccount will consist of high-quality securities with maturities of 12 months or less.

The Intermediate-term Investment Subaccount will consist of securities with maturities of up to five years.

- A. Investments in the Short and Intermediate Investment Subaccount:
 - 1. Investments will consist of the following maturities:
 - Short-term Investment Subaccount...12 month or less
 - Intermediate Investment Subaccount...5 years or less
- B. Investments in the Short and Intermediate Investment Subaccounts may invest in the following securities;
 - 1. Certificates of Deposit

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- I. Investments in any one issuers must be 100% insured by federal deposit insurance and be issued by a major commercial bank with capital and surplus of \$25 million or more.
 - II. Maturity of one year or less.
 - III. Must be negotiable.
2. Commercial Paper
 - I. Must have a Moody's rating of Prime 2 or higher.
 - II. Investments of one issuer not to exceed 20% of the amount of assets in the Account.
 - III. Maturity of one year or less.
 - IV. Money Market Funds which meet the above criteria.
 3. Government and Agency Securities

No limitations on U.S. Government Guaranteed Obligations (including fully guaranteed Federal Agencies).

IV. Fiduciary Responsibility

The Investment Manager shall be registered with the Securities and exchange Commission and manage the assets as agreed upon herein and in the Investment Management Agreement (the "Agreement") to which this Master Statement is attached.

V. Communications

- A. Investment Manager/Director of Finance communications with the Trustees.
 1. Provide monthly portfolio valuations to the Finance Committee.
 2. Meet at least two times each year with the Finance Committee.
 - I. Review past investment performance, evaluate the current investment outlook and discuss investment strategy.
 - II. Provide information concerning any major changes in investment policy that may result in major investment strategy changes.

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- III. Review any significant changes in management, research, personnel, or ownership within the Investment Manager firm.
 - IV. Other communications that the Investment Manager feels are necessary to facilitate achievement of the Trusts' goals and objectives.
- B. Finance Committee's communication with the Investment Manager.
- 1. Within the timeframe specified in the Agreement, provide the Investment Manager with any revision of the master Statement of Investment Policy.
 - 2. Meet at least each February and August with the Investment Manager at Meeder & Associates.
 - I. Review and discuss any modifications and changes to the Commission's investment goals and objectives.
 - II. Identify significant anticipated changes in the Commission's cash flow.
 - III. Discuss any other matters which may bear upon the Commission's assets.
- VI. Conclusion
- A. All investments are to be made for the benefit of the Commission.
 - B. It is expected that the Finance Committee will manage the assets so that the results will meet the goals and objectives as set forth in this statement.
 - C. This statement is intended to be used as a guideline rather than rigid statement of policy.