TABLE OF CONTENTS

Section 1 – Table of Contents, Preface and Acknowledgments

Section 2 – The Role of the House Corporation

Advantages of Incorporation
Reforming a Dormant House Corporation
Forming a New Corporation
Articles of Incorporation
Bylaws
Running the House Corporation
Corporate Status and Structure
Tax Status and Tax Related Issues
Exhibits
   A – Record of Proceedings of the Incorporator, Articles of Incorporation and Bylaws
   B – Application for Recognition of Exemption Under Section 501(a)*
   C – Form 990
   D – Form 990-T
   E – Form W-9
   F – Form 1099-MISC
   G – Form 1096
   H – Form SS-4

Section 3 – Contracts

   Housing Contract
   Employee Contract
   Contract between House Corporation and Chapter
   Membership Contract
   Sample Contracts

Section 4 – Fund Raising and Financing Options

   The Fund Raising Campaign
   Flowcharts, Advantages/Disadvantages of Various Financing Options
Section 5 – Walter B. Palmer Foundation Endowment

Introduction
Statement of Policies and Guidelines
Assisting You in Preparing and Submitting an Application
Common Questions
Loan Application and Business Plan
Fire Prevention and Life Safety Loan Program
Minimum Annual Financial Statement and Footnote Requirements
Documents and Common Sources
Sample Promissory Note and Personal Guaranty Agreement
Sample Commitment Letter

Section 6 – Risk Management, Insurance and Liability

Overview
Exhibits
  A – Risk Management Policies
  B – Chapter Crisis Management Plan
  C – Claims Procedures
  D – Loss Control Topics
  E – Event Planning Forms
  F - Liability and Legal Affairs Article

Section 7 – Fraternal Law Issues

Section 8 – Chapter House Floor Plan

Section 9 – Furniture Catalogs and List of Other Suppliers

Section 10 – Relationship of the House Corporation to the General Fraternity

- Phi Delta Theta General Statutes Pertaining to House Corporations
- An Overview of Phi Delta Theta
- Phi Delta Theta Statement on Standards of Responsibility
Preface

August 1995

The House Corporation Guide has been prepared by the General Headquarters Staff under the direction of the Housing Commission. While every effort has been made to make the information in this publication as accurate as possible, your House Corporation should consult local attorneys, accountants or other professionals regarding specific issues concerning your location.

The Guide has been prepared in the loose-leaf format so that additional information can be added in the future. Additional copies of this Guide can be purchased at a cost of $25 per Guide.

For more information on any of the topics contained in this publication, contact the Phi Delta Theta General Headquarters, 2 South Campus Avenue, Oxford, OH 45056, 513 523-6345.

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THE ROLE OF THE HOUSE CORPORATION

It is recommended that every chapter in Phi Delta Theta have an incorporated house corporation. The purpose of this section is to aid alumni who are establishing a house corporation for the first time or reforming an existing, but inactive, house corporation or a house corporation whose corporate status has been cancelled.

The house corporation plays a very important role in the continued existence and well being of a chapter in the Fraternity. The typical house corporation performs one or more of the following functions:

- Owns and/or manages real estate for the chapter
- Leases the chapter house to the undergraduate chapter
- Responsible for the physical plant
- Maintains the equipment and furnishings
- Anticipates future housing needs
- Maintains accurate financial information
- Obtains loans when necessary (see action on the Palmer Foundation)
- Enters into contracts when applicable
- Secures adequate levels of insurance (see section on Risk Management/Insurance)
- Assures that any applicable tax returns are filed properly and taxes are paid should it be and property.
- Hires and supervises all chapter employees
- Serves in an advisory role to or as an alumni support group for the undergraduate chapter.

Because of varying circumstances, not all house corporations are involved in each of these duties. For example, if the chapter is housed in university facilities, the university would assume many of the duties associated with maintaining the physical plant. This would not, however, relieve the house corporation of its other responsibilities. For a chapter which does not have a chapter house or lodge, the house corporation can serve as an alumni support group and can plan for and raise funds to, purchase or lease a chapter house.

Each house corporation should be incorporated as a non-profit corporation under the laws of the particular state or province in which the chapter is located. While incorporation does involve certain filing and legal fees, the advantages far outweigh the disadvantages. A few of the advantages are as follows:

ADVANTAGES OF INCORPORATION

- Protects the trustees and members from personal liability for the organization’s obligations and liabilities.
- Allows for perpetual existence instead of limiting the organization to specific terms of office or life.
- Permits the organization to enter into contracts in the corporate name instead of individual member’s names.
- Enables the house corporation to own real estate in the corporate name.
- Offers protection of the house corporation’s name.
- Allows the organization to sue and be sued in its corporate name.
- Provides greater continuity for the transaction of business for the organization.
REFORMING A DORMANT HOUSE CORPORATION

In the case of a group alumni wishing to reform an old house corporation, a search should first be conducted to find the exact status of the old corporation. Several avenues may be helpful in finding the necessary information. Usually the most accurate method is to contact the Secretary of State or other similar officer in your state or providence. The Secretary of State should be able to determine:

1) If a corporation now exits or was ever chartered,
2) If the corporation is still recognized by the state or providence, and
3) If a copy of the original Charter of Articles of Incorporation are on file.

For the Secretary of State to perform this search, there will be certain critical information that must be provided. This information will include the exact name of the house corporation, possibly the address of the chapter house or previous chapter houses occupied by the chapter, and the approximate date of incorporation. If this information is not readily available, check through the old chapter files, talk with older alumni, search local real estate records (if there is a chapter house) or call the General Headquarters as possible sources for the needed information.

Assuming the house corporation was legally incorporated and the original Articles of Incorporation and Bylaws can be found, these documents should be received and updated. (Refer to the description and sample Articles of Incorporation and Bylaws included later in this section.)

FORMING A NEW CORPORATION

A number of issues must be addressed when incorporating a new house corporation. Many of these issues are practical in nature and include identifying who will serve as the incorporators and the original trustees and officers, determining the principal or registered office of the corporation, and, of course, deciding upon the name of the corporation.

There are, however, a number of other issues which require the assistance of legal counsel. These issues include the structure of the corporation, the relative rights and powers of members and trustees, preparing and filing the incorporation documents and preparing and filing the appropriate documents with the Internal Revenue Service.

It is very important to understand that the Internal Revenue Service filing is completely separate from the incorporation filing. While the state or providence may recognize the house corporation as a non-profit organization, this recognition would not in any way entitle the house corporation to federal income tax-exempt status. To achieve tax-exempt status, filings must be made directly to the Internal Revenue Service. Sample tax forms are included later in this section.

One of the most important organizational issues is the relationship between the members and trustees of the house corporation. In many states, the law permits the trustees of a non-profit corporation to exercise the powers of members. This results in a self-perpetuating Board of Trustees and eliminates the costs and inefficiencies associated with calling and holding meetings of alumni members who may live all around the country. While arguably less democratic, a self-perpetuating Board of Trustees is more likely to be able to maintain its corporate existence and to make changes in the corporation’s governing documents. The same Articles of Incorporation and Bylaws contain optional features for both structures.
ARTICLES OF INCORPORATION

The Articles or Certificate of Incorporation establish the legal basis for a house corporation’s corporate existence. The articles are usually broad in scope leaving the more specific details of the internal operations to the bylaws. Typical requirements for Articles of Incorporation are:

- The name of the corporation.
- The period of duration (usually perpetual).
- The purpose or purposes for which the corporation is organized.
- A provision for distribution of assets on dissolution or final liquidation.
- Any provisions, not inconsistent with law, which the incorporators elect to set forth in the Articles of Incorporation for the regulation of the internal affairs of the corporation.
- Address of its principal office or initial registered office and the name of its initial registered or statutory agent.
- The number of trustees constituting the initial board of trustees, and the names and addresses of the persons who are to serve as the initial trustees
- Name and address of each incorporator.

Particular attention should be given to the purpose clause since it will, in part, determine whether the corporation will be granted the tax-exempt status. The purpose clause should conform to the purposes permitted for social clubs under 501©(7) of the Internal Revenue Code.

A sample Articles of Incorporation is included at the end of this section.

BYLAWS

The Bylaws, Constitution or Regulations are ruled adopted and maintained by a corporation to define and direct the internal affairs of the organization. Bylaws are supplementary to the articles of incorporation and are generally more specific. Like the articles of incorporation, the bylaws can have a direct impact on the tax-exempt status with the Internal Revenue Service. A sample Bylaws is included at the end of this section.

Bylaws usually include the following:

- Qualifications of membership, classes of membership, expulsion and resignation procedures.
- Division of powers between members and trustees.
- Notices, times, places, and minutes of meetings.
- A complete description of the officers or trustees of the corporation. This description should include authority, qualification of trustees, election, and terms of office, duties, removal procedures, and compensation if any.
- Filling of vacancies in officers’ or trustees’ positions.
- Identification of any standing or special committees.
- A description of the financial policies to be followed by the corporation. This might include sections regarding a bank depository, fiscal year, audits and financial reports, and methods of disbursing funds.
- Provisions for indemnification of trustees and officers.
- Amendment of procedures.
RUNNING THE HOUSE CORPORATION

Obviously, your work is just beginning when the corporation is formed. The operation of the house corporation is akin to running a business, and corporate formalities should be observed. There should be regular trustees’ meetings, annual elections of trustees and officers, and the keeping of minutes and financial records. Accordingly, it is helpful if the Board membership includes a lawyer and an accountant to provide ongoing advice on legal and financial matters.

Most states also require the filing of an annual or periodic (for example, once every five years) statement or report to maintain the corporation’s corporate existence. Typically, the state sends the required form to the registered or statutory agent who must forward it to the corporation for completion and filing. In addition, an annual information return must be filed by the corporation with the Internal Revenue Service.

Other filing requirements will depend on the house corporation’s activities. If the house corporation owns property, it must pay real estate taxes and insurance. Written leases and contracts (discussed in other sections) should also be prepared and used. If the house corporation has employees (for example, a house director, cook or cleaning staff), a variety of tax and insurance forms must be prepared and filed. In addition to the income tax withholding and social security filings, the corporation may be required to pay worker’s compensation and unemployment compensation premiums. These obligations should be identified early, and procedures established to assure compliance.

I. INTRODUCTION

Since some Phi Delta Theta chapters and alumni may be unfamiliar with legal and accounting matters affecting the organization and operation of a house corporation, the following general information is offered to assist those who may not have had to deal with questions of tax and corporate law.

THE FOLLOWING INFORMATION IS OFFERED AS GENERAL ASSISTANCE AND SHOULD NOT BE RELIED UPON AS CORRECT LEGAL OR ACCOUNTING ADVICE FOR EVERY HOUSE CORPORATION UNDER ITS RESPECTIVE STATE LAW. WHILE GENERAL CONCEPTS MAY BE UNIFORM, EACH STATE’S CORPORATE LAW IS DIFFERENT. HOUSE CORPORATIONS ARE STRONGLY URGED TO CONSULT AN EXPERIENCED LEGAL COUNSEL AND ACCOUNTANT FOR ASSISTANCE.

SUGGESTION: The determination of the right organizational form (profit or nonprofit, corporation or association, etc.), the determination of tax status and other important issues relating to the organization and existence of each house corporation, should be carefully reviewed by the house corporation’s counsel and accountant. The selection of counsel should be based upon the capability of the lawyer to deal with corporate and tax issues. Likewise, accountants vary greatly in skill, experience and specialty. Some accountants are certified public accountants (CPA’s) while others are not. Some states require certified financial statements which can only be issued by a CPA. In any case, a house corporation’s accountant should be familiar with issues confronting a nonprofit, tax-exempt organization – not simply personal income tax issues.

If properly selected, the house corporation’s attorney and accountant can be invaluable resources. If improperly selected, the house corporation can be faced with problems that threaten the survival of both the house corporation and its parent.
The following information is offered to provide assistance to the new or smaller chapters which may not have dealt with these issues and to provide answers to important questions for all chapters. While each state’s law varies and every house corporation is different, the following information will provide general information which should be useful in evaluating your situation. The Phi Delta Theta Housing Commission stands ready to assist you in whatever way it can.

II CORPORATE STATUS

GENERALLY

Every chapter can set up an entity as a corporation under its respective state corporation laws to own and operate its chapter house and/or to serve as an alumni support group to the chapter. However, unlike traditional corporations which distribute their profits to their shareholders through dividends, Phi Delta Theta house corporations are not organized to make profits for their members. Because Phi Delta Theta house corporations do not distribute profits to their members, they can organize as nonprofit corporations under their respective state laws and become eligible to be tax-exempt under state and federal laws.

HOW IS A NONPROFIT CORPORATION STRUCTURED?

The formal structure of a nonprofit corporation is similar to, but not the same as, a “for-profit” corporation. Instead of shareholders, a non-profit corporation is made up of “members.” Because nonprofit corporations are established to accomplish some good, they are not “owned” by shareholders. The members elect a board of trustees or board of directors which, like a for-profit corporation, sets policy for and make significant decisions concerning the entire organization. Like the for non-profit corporation, the board of trustees or directors may be elected annually by the organization’s members. Either the members of the corporation or the elected board of trustees or the board and/or an officer, just as a shareholder of a for-profit corporation may serve on the board of directors and/or as an officer.

Each state’s corporation laws (whether for-profit or nonprofit) require that a corporation formed in that state have at least certain corporate officers. For example, many states require any corporations formed in that state to have, at a minimum, a president, a treasurer and a secretary. States’ corporate laws generally allow additional officer, but require certain essential officers.

WHY SHOULD A HOUSE CORPORATION INCORPORATE?

The corporate form protects house corporation members from most kinds of liabilities arising out of the house corporation’s activities. If a house corporation were to breach a contract, cause injury or an injury occurred on the house corporation’s property, the house corporation would be responsible for the resulting damage. If the house corporation is an unincorporated association, it has no separate legal existence and, if sued, the individual members of the house corporation personally liable for the debts of or damages caused by the house corporation or its agents.

The biggest advantage of the nonprofit corporation form is the limited liability it affords. Some state laws specifically exempt members of a nonprofit corporation from personal liability from cost corporate obligations. In other states, the general principles of corporate law protect members from corporate obligations. Thus, members of a nonprofit corporation (like shareholders of a traditional, for-profit
corporation) are rarely liable for the debts or acts of their corporation or its agents. Instead, the corporation
is responsible for its own debts or liabilities, however, the members of the nonprofit corporation may not be
responsible for those debts.

In addition, insurance may be available to cover potential liability of trustees and officers. This
insurance, when available, can be quite expensive. Further, this insurance covers liability of directors
and/or trustees for errors and omission; it is not to be confused with fidelity or dishonesty insurance (which
insures against misappropriations by house corporation employees, officers or trustees.)

In addition, the federal income tax laws impose personal liability on the “responsible persons” of any
organization for the amount of employee payroll taxes and social security taxes withheld from any
employee’s pay but not paid over to the IRS. This provision applies to all employers, whether incorporated
or not. Accordingly, it is extremely important that house corporation officials accurately determine whether
persons who work for the house corporation are “employees” or independent contractors. If the house
corporation has employees, the house corporation’s accountant should be consulted to determine the correct
procedure to be followed with respect to payroll taxes and social security withholding. As a whole, the risk
that members may be accountable for house corporation obligations can be substantially reduced by
choosing to operate as a nonprofit corporation.

Except as noted above, in order for a corporation’s shareholders or members to be held personally
liable, the creditor would have to “pierce the corporate veil;” i.e., convince a court that the existence of the
corporation should be ignored. This rarely occurs unless the corporate formalities (discussed below) are
ignored.

WHAT ARE THE DISADVANTAGES OF THE CORPORATE FORM?

As previously discussed, a corporation has a formal hierarchy consisting of a board of
trustees/directors, officers and members. The members or the trustees/directors adopt regulations or by-
laws governing the operation of the corporation. These rules must be followed for the corporation to act
legally. This process may decrease the house corporation’s operating flexibility. Further, choosing the
 corporate form may increase governmental regulation of house corporation activity and create higher
operating costs caused by greater formal organization.

In order to maintain its corporate status, a nonprofit corporation must follow certain formalities
relating to its organization and record keeping. Generally, corporations are required to formally record any
significant action or decision of its governing board. House corporation boards should hold periodic
meetings, annually elect trustees and officers and keep accurate minutes and financial records. Finally,
certain administrative actions are required by a corporation in order to maintain its corporate status (e.g.,
filings with the Secretary of State, payment of corporate franchise fees and the appointment of a statutory
agent).

III. TAX STATUS

WHAT IS A NONPROFIT CORPORATION?

A nonprofit corporation generally a corporation formed under a state’s specific statutes authorizing
the formation of a corporation organized not-for-profit. Organizing under a state’s not-for-profit
corporation statutes usually exempts the corporation from certain state and local taxes, such as corporate income taxes. These exemptions vary from state to state and you should consult with a tax advisor in your particular state.

It is critical to understand that, although a house corporation may be formed as a nonprofit corporation and, although by doing so, the house corporation may therefore be exempt from state and local taxes, simply becoming a nonprofit corporation: (a) does not make the house corporation “charitable”; and (b) does not exempt the house corporation from federal tax.

In order to become exempt from federal tax, the house corporation must fall within certain exceptions to the Internal Revenue Code. The federal government’s determination as to whether a corporation is nonprofit is completely independent of any determination as to whether a corporation is nonprofit under state or local tax laws. Often, there is substantial overlap between the federal, state and local tax laws, but this is not always the case.

Also, qualifying as a nonprofit corporation does not necessarily mean the corporation is a charitable organization. For example, the Phi Delta Theta Fraternity has been determined by the Internal Revenue Service to be an exempt Social and Recreational Club under Section 501©(7) of the Internal Revenue Code. Because the Fraternity has been determined by the IRS to be tax-exempt under Section 501©(7), however, does not mean the Fraternity is charitable. The section of the tax code authorizing an exemption for charitable, educational and scientific organizations is Section 501©(3). Since Phi Delta Theta Fraternity is not exempt under Section 501©(3), the Phi Delta Theta Educational Foundation was created. The Foundation has been determined to be exempt under Section 501©(3), and it is, therefore, a charitable organization to which contributions are deductible. Being a tax-exempt organization is not the same as being a charitable organization!

**WHAT SPECIAL PROVISIONS MUST BE IN THE ORGANIZATIONAL DOCUMENTS OF A HOUSE CORPORATION?**

As discussed in greater detail below, a house corporation derives its tax-exempt status by filing an application with the IRS and receiving a favorable determination letter. Generally, a house corporation will seek tax-exempt status under Section 501©(7) of the Internal Revenue Code. Accordingly, the house corporation must operate for the purposes expressed in these provisions. In other words, a house corporation that otherwise conducts itself in violation of Section 501©(7) cannot maintain its tax-exempt status simply because it received a favorable determination letter from the IRS.

The requirements of Section 501©(7) may be met in the articles of incorporation by stating that the house corporation’s principal purposes are those expressed in this Section. The articles should include a statement in the purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to another tax-exempt organization. In the case of a house corporation seeking exemption under Section
501©(7), the articles should include a statement in the purpose clause that the corporation is organized to engage in other pleasure, recreation and nonprofitable activities, substantially all of which are within the meaning of Section 501©(7) of the Internal Revenue code of 1986, as amended (the “Code”); to promote and foster the fraternal principles and ideals of Phi Delta Theta Fraternity; and to acquire and hold real and personal property for a chapter house or house corporation for the particular chapter of Phi Delta Theta Fraternity.

In addition, the house corporation’s organization documents must indicate that no part of the house corporation’s net earnings may inure to the benefit of any person having a personal and private interest in the activities of the house corporation. For purposes of this requirement, it is not necessary that the net earnings be actually distributed, since even undistributed earning benefits members, if reflected by a decrease in membership dues or an increase in the services the house corporation makes available to its members without a corresponding increase in dues or other fees paid for financial support. Moreover, a house corporation will not be recognized as tax-exempt if its charter, by-laws, or other governing instrument, or any written policy statement contains a provision that provides for discrimination against any person on the basis of race, color, or religion.

An example of articles of incorporation and by-laws for a Phi Delta Theta house corporation are set forth in Exhibit A. However, you should consult with your house corporation counsel as to the exact expression of your house corporation’s purposes. Remember, if the articles of incorporation and the bylaws are not consistent with Section 501©(7), the house corporation may not be tax-exempt.

**HOW DOES A HOUSE CORPORATION OBTAIN FEDERAL TAX-EXEMPT STATUS?**

House corporations are frequently formed for the purpose of providing chapter houses for fraternity members. Their articles of incorporation or charter authorize them to acquire, improve, maintain or otherwise deal in, or lease, real property.

Most organizations seeking recognition of exemption from federal income tax must use the application forms specifically prescribed by the IRS. The application used to apply for recognition of exemption under Section 501©(7) is Form 1024 (see Exhibit B). Form 1024 contains instructions and a checklist to help provide the information required to process your application. A sample of a completed Form 1024 is provided in Exhibit B. This exhibit is only a sample. House corporations should consult with their tax advisors in the preparation of the applications as the information provided on the sample Form 1024 in Exhibit B does not apply to all house corporations.

An organization seeking qualification under Section 501©(7) of the Internal Revenue Code is generally seeking status as a social or recreational club. To show that your house corporation possesses the characteristics of a club within the meaning of the exemption law, you should submit evidence with your application that personal contact, commingling, and fellowship exist among members. Members must be bound together by a common objective directed toward pleasure, recreation, and other nonprofitable purposes. This should be indicated by provision either in your organization’s articles of incorporation or its bylaws, or both. The term “other nonprofitable purposes” generally means other purposes similar to pleasure and recreation.
The application for exemption on Form 1024 requests a great deal more of specific information. You should consult the instructions to Form 1024 and your house corporation counsel for assistance in completing the application. In addition, IRS Publication 557 (Tax-Exempt Status For Your Organization) may assist you to complete the Form 1024.

**DOES A HOUSE CORPORATION THAT IS TAX-EXEMPT HAVE TO FILE ANNUAL RETURNS?**

Even though exempt from federal income tax, a house corporation may still have to file a tax return. Each house corporation must file a Form 990, Return of Tax-Exempt Organization (see Exhibit B), within four and one-half months after the end of its fiscal year, if it has average annual gross receipts (all forms of income) in excess of $25,000. Even if no tax return is required, detailed records must be kept for six (6) years in the event of an IRS audit.

Although a tax-exempt organization is not required to file a Form 990 unless it has average annual gross receipts over $25,000, some house corporations may receive a Form 990 in the mail from the IRS. In reviewing this form, you will note that only the top portion of the form needs to be completed. It is suggested that if your house corporation has average annual gross receipts of less than $25,000, and you receive a Form 990 in the mail from the IRS, complete the top portion (checking the box on line 1), thereby notifying the IRS that your house corporation does not need to file future 990’s.

**DOES QUALIFYING FOR FEDERAL TAX-EXEMPT STATUS MEAN A HOUSE CORPORATION WILL NOT HAVE TO PAY ANY FEDERAL INCOME TAXES?**

Even though a house corporation receives an income tax exemption from the IRS, the house corporation still may be liable for taxes on its “unrelated business taxable income” (“UBTI”). If a house corporation has UBTI under Section 511 of the code, the house corporation must file a Form 990-T, Exempt Organization Business Income Tax Return (see Exhibit D), in addition to its Form 990-T tax return. Like Form 990, this return must be filed within four and one-half months after the end of the house corporation’s fiscal year. However, an exempt corporation with UBTI may have to pay estimated income each quarter. Consult your house corporation counsel for application of the Estimated Income Tax rules if your house corporation has UBTI.

Congress enacted the Unrelated Business Income Tax in order to eliminate a perceived source of unfair competitions by placing the unrelated business activities of certain exempt organizations on the same tax as is as non-exempt businesses with which they complete. Thus, a house corporation that is determined to have Unrelated Business Income will be taxed on that income, less related deductions and a $1,000 specific deduction, at the same rates a non-exempt corporation is taxed.

As a general rule, Section 512(a)(3) of the Internal Revenue Code requires a social club to include all gross income as Unrelated Business Taxable Income unless it is “exempt function income,” that is, income derived from the club’s exempt activity (such as members’ dues) and income set aside for certain charitable purposes. Consult your house corporation counsel to determine whether the UBTI rules may apply to you.

If you make a good faith determination that a house corporation activity is not an Unrelated Business and therefore you do not file a Form 990-T, you still should disclose specifically the nature of the activity
and receipts therefrom on your Form 990. This enables the IRS to determine liability if they find the activity should be an unrelated business income tax. Should you have concerns that an income producing activity may give rise to UBTI, consult your house corporation counsel.

**WHAT SPECIAL TAX RETURNS ARE REQUIRED FOR PAYMENTS MADE TO INDEPENDENT CONTRACTORS?**

If any house corporation pays $600 or more per person to individuals or partnerships, the house corporation may be subject to withholding any information reporting requirements. First, if the house corporation has not received the taxpayer identification number of the person being paid by the house corporation, the house corporation must withhold 31 percent of all payments made to him/her. The taxpayer identification number of an individual is his/her social security number. A partnership may have its own taxpayer identification number. Withholding is also required if the IRS notifies the house corporation that the taxpayer identification number furnished by the person being paid by the house corporation is incorrect. To avoid withholding, before paying any non-employee every house corporation should obtain the taxpayer identification number of the person to be paid by using the IRS Form W-9 (Payor’s Request for Taxpayer Identification Number) (See Exhibit E) provided for this purpose by the IRS. Copies of Form W-9 may be obtained from your tax advisor or the local IRS office.

In addition to withholding requirements, a house corporation may also be required to file “information returns” with the IRS for payments of $600 or more to noncorporate persons. This information return must be filed even if the person being paid has given you his taxpayer identification number. The house corporation must deliver an IRS Form 1099-MISC (See Exhibit F) to such person by January 31st of the year following the year in which the payment was made. The Form 1099-MISC, along with the Form 1096 (See Exhibit G), must then be sent to the IRS by February 28th of the year following the year in which the payment was made. The house corporation’s tax advisor or accountant should be consulted to ensure compliance.

**WHAT STATE AND LOCAL GOVERNMENT FILINGS ARE REQUIRED?**

Every house corporation should determined whether any of the numerous and varied state and/or local laws which require filings and/or registration with various governmental agencies apply. Some states merely require the filing of a copy of the federal information return (Form 1096) with the State Department of Taxation. Other states also require registration with the State Attorney General. Some requirements apply only on a one-time basis; others must be done annually. It is impossible to convey within this packet all of the possible state and local filing and registration requirements. Each house corporation must identify the state and local laws affecting it and what it must do to comply with those laws.

**WHAT IS AN EMPLOYER IDENTIFICATION NUMBER?**

Every entity (person, corporation, etc.) filing a tax return with the IRS must be separately identified by number. This separate and specific number is commonly referred to as the “Taxpayer Identification (I.D.) Number.” For an individual, the Taxpayer I.D. Number is his/her social security number. For a corporation, association or any other entity other than an individual, the Taxpayer I.D. Number is referred to as an “Employer Identification (I.D.) Number.” NOTE: Every house corporation, whether or not incorporated, must obtain an Employer I.D. Number, even if it has no employees.
HOW TO OBTAIN AN EMPLOYER IDENTIFICATION NUMBER

To apply for an Employer Identification Number, each house corporation should obtain a Form SS-4 (See Exhibit H) from the nearest Internal Revenue Service Office. The instructions for filling out the form are relatively straightforward.

WHAT OTHER RESPONSIBILITIES DOES A HOUSE CORPORATION HAVE DUE TO ITS TAX-EXEMPT STATUS?

The Internal Revenue Code requires that each organization exempt from federal income tax makes available for inspection its three most recent annual returns (Form 990) and its Application for Recognition of Exemption which was filed with the IRS. Thus, each house corporation granted federal tax-exempt status must make this information available at the address indicated on its Form 1024 during regular business hours. Disclosure is not required of the names of any contributor. Failure to comply with these requirements may result in a $10 penalty for each day such failure occurs, and additional $1,000 if failure is found to be willful.

SHOULD EACH HOUSE CORPORATION HAVE AN ACCOUNTANT?

Yes!! Each house corporation should hire an accountant to help it make the filings with the IRS described above, to help determine the state and local filing and registration requirements and to generally help it keep its financial records in good order.

ARE CONTRIBUTIONS TO HOUSE CORPORATIONS TAX DEDUCTIBLE?

As earlier noted, just because a house corporation is tax-exempt does not make it a charitable organization. Under the tax code, a house corporation is tax-exempt under Section 501©(7), NOT 501 ©(3). The difference between tax-exempt and charitable has caused much confusion among Phi Delta Theta members and alumni. The principle importance of this difference is that only contributions to a charitable, educational or scientific (Section 501 ©(3) organization are NOT generally deductible. Contributions from third parties to a Phi Delta Theta house corporation, chapter or National fraternity are not deductible to the Donor. (The reason that donations to charitable organizations are tax-deductible is to encourage donation to organizations having “charitable,” “educational,” or “scientific” purposes. On the other hand, the Internal Revenue Code recognized tax-exempt status for organizations, such as Phi Delta Theta, are allowed tax-exempt status, but contributions to social organizations are not deemed by the Congress to be sufficiently important the deductibility is afforded to the donors.)

SOLICITATION CAMPAIGNS

Many house corporations solicit alumni and others for funds to support house corporation activities. These solicitations may be individualized appeals of selected persons may be part of a program or campaign conducted by the house corporation or chapter.

The Revenue Act of 1987, enacted on December 23, 1987, added Section 6113 of the Internal Revenue Code. That section provides that every fund-raising solicitation made by or on behalf of certain organizations (including organizations described in Section 501©(7) of the Internal Revenue Code like Phi Delta Theta Fraternity and its chapters), MUST contain a statement in conspicuous and recognizable format
that the contribution (or gift) is NOT deductible as a charitable contribution. House corporations are subject to this rule unless the annual gross receipts of the house corporation are less than $100,000; gross receipts include all revenue from any source (including dues), NOT simply solicitations.

A fund-raising solicitation is defined as any solicitation of contribution or gifts which is made in writing, by television or radio, or by telephone. For this purpose, letters and telephone calls are not fund-raising solicitations if, and only if, they are not a part of a coordinated fund-raising campaign soliciting more than ten (10) persons during a given calendar year.

The 1987 Tax Act also added Section 6710 of the Internal Revenue Code which provides that the penalty for failure to make the disclosure required by Section 6113 is One Thousand Dollars ($1,000) for each day on which such failure occurred. The maximum penalty which may be imposed in one calendar year is Ten Thousand Dollars ($10,000). The penalty may be excused if the failure is due to reasonable cause; however, if the failure to comply with Section 6113 is due to intentional disregard, the daily penalty is greater of One Thousand Dollars ($1,000) or fifty percent (50%) of the aggregate cost of the solicitation.

In essence, the Internal Revenue Service is extremely concerned that social organizations that are not 501 ©(3) charitable organizations are making solicitations and telling people that the contributions are tax-deductible. As you know, only contributions to charitable organizations may be treated as a charitable deduction. Hence, in order to ensure that social organizations do not cause contributors to attempt to deduct contributions that are not legally deductible, Section 6113 requires those organizations and their fund-raisers to specifically tell potential contributors that contributions are not charitable deductions. Section 6113 applies to all solicitations made by social organizations unless the solicitation is not part of a campaign. In other words, if a house corporation makes a specific solicitation of an individual, not as a part of an overall campaign, no disclosure is necessary. On the other hand, if a house corporation sends out fliers, conducts telephone campaign, or hires someone to do so on their behalf, these disclosures must be made. The only exception pertains to organizations that have gross receipts less than One Hundred Thousand Dollars ($100,000). (Obviously, this will exempt most house corporations, but certain larger house corporations may be covered by this law.)

The IRS has indicated that it intends to apply the nondeductibility disclosure requirement (Section 6113) to ALL forms of requests for financial support from the general public or members of organizations, including solicitations for membership dues. Therefore, according to the IRS, a conspicuous statement of nondeductibility as a charitable contribution should be included on membership billings and solicitations. House corporations should consult with their house corporation counsel and should discuss this matter with any organization that is used by the house corporations to solicit contributions. The failure of such an organization to make the required disclosures may cause the house corporation to be liable under Section 6113.
**EXHIBIT A**

**WORKSHEET FOR RECORD OF PROCEEDINGS**

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<td>{6}, {9}</td>
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RECORD OF PROCEEDINGS OF THE INCORPORATOR

OF

{1}

On {2}, {3}, desiring for himself, his successors and assigns, to form a non-profit corporation in accordance with the laws of the State of {4} under the name and style of {1}, with all corporate rights, powers, privileges and liabilities, did subscribe {5} as required by said law, which {6} duly filed on {7}, in the office of the Secretary of State of {8}, and which {9} recorded by the Secretary of State of {10} and returned to said subscriber in the original form included in the records of the corporation.
## WORKSHEET FOR ARTICLES OF INCORPORATION

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</tr>
<tr>
<td>{16}</td>
<td>Signature</td>
<td>Name of incorporator</td>
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{12}
SEVENTH: The corporation shall at all times be subject to the Constitution, Bylaws, and Rules and Regulations of Phi Delta Theta Fraternity, of which {13} Chapter is a chapter. Articles FIFTH and SEVENTH hereof shall not be amended, changed or deleted without the prior written consent of Phi Delta Theta Fraternity.

EIGHTH: Subject to Article SEVENTH hereof, {14} may be amended by the affirmative vote of not less than a majority of the persons who exercise the voting rights of members of the corporation in an accordance with its {15}. 
IN WITNESS WHEREOF, I have hereunto subscribed my name this ____ day of ________________, ____________.

____________________________________

{16}, Incorporator
The undersigned, desiring to form a non-profit corporation under the laws of the State of {3}, does hereby certify:

FIRST: The name of said corporation shall be {4}.

SECOND: The place in {5} where the principal office of the corporation is to be located is the City of {6}, County of {7}.

SECOND: The address of the corporation’s registered office in the State of {5} is {8}. The name of its registered agent at such address is {9}.

THIRD: The purposes for which the corporation is formed are to promote and foster the fraternal principles and ideals of Phi Delta Theta Fraternity, to acquire and hold real and personal property for a chapter house or lodge for the {10} Chapter of Phi Delta Theta Fraternity at {11} and to engage in other pleasure, recreation and nonprofitable activities which qualify as such within the meaning of Section 501©(7) of the Internal Revenue Code of 1986, as amended (or corresponding provisions of any future United States Internal Revenue law) (the “Code”).

FOURTH: The corporation is formed exclusively for purposes under which a corporation may be formed under the non-profit corporation law and not for pecuniary profit or financial gain. No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its trustees, officers or other private persons or organizations, except that the corporation 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 in Article THIRD thereof. The corporation shall have the power, either directly or indirectly, either alone or in conjunction or in cooperation with others, to do any and all lawful acts and things and to engage in any and all lawful activities which may be necessary, useful, suitable, desirable, or proper for the furtherance, accomplishment, or attainment of any or all of the purposes for which the corporation is organized, and to aid or assist other organizations whose activities are such as to further, accomplish, foster or attain any such purposes. Notwithstanding any other provision hereof, the corporation shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax as an organization described in Code Section 501©(7).

FIFTH: Upon the dissolution of the corporation, the Trustees shall, after paying or making provision for the payment of all of the liabilities of the corporation, transfer, convey and distribute all of the assets of the corporation to the Walter B. Palmer Foundation Endowment, an Ohio non-profit corporation which is exempt from federal income tax as an organization described in Code Section 501©(7) or its successor.

SIXTH: The names and addresses of the natural persons who are to be initial trustees of the corporation are as follows:
# WORKSHEET FOR BYLAWS

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</table>
## INDEX

<table>
<thead>
<tr>
<th>Section</th>
<th>Caption</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ARTICLES I</td>
<td></td>
</tr>
<tr>
<td>Members</td>
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</tr>
<tr>
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<td>Provisions Regarding Meetings of Trustees Control</td>
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<td>{Option 2}</td>
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</tr>
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<td></td>
</tr>
<tr>
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<td>1.06</td>
<td>Waiver of Notice</td>
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<tr>
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<tr>
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</tr>
<tr>
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</tr>
<tr>
<td>2.07</td>
<td>Meetings of Trustees</td>
<td></td>
</tr>
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<td>Honorary, etc. Trustees</td>
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</table>
ARTICLES III
Committees

3.01 Committees
3.02 Committee Limitations

ARTICLE IV
Officers

4.01 Election
4.02 President
4.03 Vice President
4.04 Secretary
4.05 Treasurer

ARTICLE V
Indemnification and Insurance

5.01 Mandatory Indemnification
5.02 Article V Not Exclusive
5.03 Insurance
5.04 Definitions

ARTICLE VI
Miscellaneous

6.01 Fiscal Year
6.02 Surety Bond
6.03 Signature of Negotiable Instruments
6.04 Amendments
ARTICLE I

Members

Section 1.01. Voting Members. The Trustees of the corporation shall, for the purposes of any statute or rule of law relating to corporations, be taken to be the voting members of the corporation, and they shall have all of the rights and privileges of voting members.

Section 1.02. Non-Voting Members. All initiated members in good standing of {3} Chapter of Phi Delta Theta Fraternity shall be non-voting members of the corporation. The Trustees may establish dues for non-voting members. Notwithstanding the foregoing, in the event that there shall be no Trustees in office, any five non-voting members may call a meeting of members who shall be entitled to elect Trustees to fill such vacancies. At any such meeting, each member shall have one vote, and the members present shall constitute a quorum. The candidates receiving the greatest number of votes shall be elected as Trustees.

Section 1.03. Provisions Regarding Meetings of Trustees Control. Where the provisions of law relating to meetings of trustees differ from the provisions relating to members, it shall be sufficient if the corporation complies with provisions of law relating to trustees, and all meetings of Trustees shall be governed by the provisions of Article II.
business as may properly come before such meeting, shall be held on such date as may be fixed from time to
time by the Trustees.

Section 1.03. Calling of Meetings. Meetings of the voting members may be called only by the
president, or, in the case of the President’s absence, death, or disability, the Vice President; the Trustees by
action at a meeting, or a majority of the Trustees acting without a meeting; or {4} percent of the members
entitled to vote thereat.

Section 1.04. Place of Meetings. All meetings of voting members shall be held at the Chapter
house, lodge or other regular Chapter meeting place, unless otherwise provided by action of the Trustees.

Section 1.05. Notice of Meetings. (A) Written notice stating the time, place and purposes of a
meeting of the voting members shall be given either by personal delivery or by mail not less than {5} nor
more than {6} days before the date of the meeting, {1} to each voting member of record entitled to notice of
the meeting, {2} by or at the direction of the President or the Secretary. If mailed, such notice shall be
addressed to the voting member at his address as it appears on the records of the corporation. Notice of
adjournment of a meeting need not be given if the time and place to which it is adjourned are fixed and
announced at such meeting.

(B) Following receipt by the president or the secretary of a request in writing, specifying the
purpose or purposes for which the persons properly making such request have called a meeting of the voting
members, delivered either in person or by registered mail to such officer by any persons entitled to call a
meeting of voting members, such officer shall cause to be given to the voting member entitled thereto notice
of a meeting to be held on a date not less than {7} nor more than {8} days after receipt of such request, as
such office may fix. If such notice is not given within {9} days after the receipt of such request by the
President or the Secretary, then, and only then, the persons properly calling the meeting may fix the time of
meeting and give notice thereof.

Section 106. Waiver of Notice. Notice of the time, place and purposes of any meeting of voting
members may be waived in writing, either before or after the holding of such meeting, by any voting
member, which writing shall be filed with or entered upon the records of such meeting. The attendance of
any voting member at any such meeting without protesting the lack of proper notice, prior to or at the
commencement of the meeting, shall be deemed to be a waiver by such member of notice of such meeting.

Section 1.07. Quorum. At any meeting of voting members, the voting members of the
corporation present shall constitute a quorum for such meeting.

Section 1.08. Votes Required. At all elections of Trustees the candidates receiving the
greatest number of votes shall be elected. Any other matter submitted to the voting members for their vote
shall be decided by the vote of such proportion of the shares, or of any class of shares, or of each class, as is
required by law, the {10} or the {11}.

Section 1.09. Order of Business. The order of business at any meeting of voting members shall
be determined by the officer of the corporation acting as chairman of such meeting.

Section 1.10. Members Entitled to Vote. Each voting member of record on the books of the
corporation on the record date for determining the voting members who are entitled to vote at a meeting of
voting members shall be entitled at such meeting to one vote. The Trustees may fix a record date for the
determination of the voting members who are entitled to receive notice of and to vote at a meeting of voting members, which record date shall not be a date earlier than the date on which the record date is fixed and which record date may be a maximum of \{12\} days preceding the date of the meeting.}

**ARTICLE II**

**Trustees**

Section 2.01. **Power and Authority of Trustees.** Except as otherwise provided by law, the \{13\} or the \{14\}, all of the authority of the corporation shall be exercised by the Trustees.

Section 2.02. **Number of Trustees and Term of Office.** Until changed in accordance with the provisions of the \{14\}, the number of Trustees shall be \{15\}. At least a majority of the Trustees shall be initiated members of Phi Delta Theta Fraternity.

*Options 1*

*Each Trustee shall be elected to serve until the next annual meeting and until his successor is duly elected and qualified or until his earlier resignation, removal from office, or death. At all elections of Trustees, the candidates receiving the greatest number of votes shall be elected.]*

*Options 2*

*At the first annual meeting called for the purpose of electing Trustees, the Trustees shall be divided into three classes of not less than \{16\} Trustees each, as fixed or changed from time to time by the Trustees, it being the intention to have at all times three classes of approximately equal size. Class A Trustees shall be elected to serve a term of one year, Class B Trustees shall be elected to serve a term of two years and Class C Trustees shall be elected to serve a term of three years. Thereafter, one class of Trustees shall be elected and qualified or until their earlier resignation, removal from office, or death. At all elections of Trustees, the candidates receiving the greatest number of votes shall be elected.]*

The number of Trustees may be fixed or changed by the Trustees by the affirmative vote of a majority of the Trustees then in office, but no reduction in the number of Trustees shall of itself have the effect of shortening the term of any incumbent Trustee.

Section 2.03. **Resignation and Removal.** Any Trustee, by notice in writing to the Trustees may resign at any time. Any Trustee may be removed from office by a \{17\} vote of the \{18\}.

Section 2.04. **Vacancies.** Any vacancy in the Trustees may be filled for the unexpired term by the affirmative vote of a majority of the remaining Trustees.

Section 2.05. **Quorum and Voting.**

A. Except as otherwise provided in \{9\}, a majority of Trustees shall constitute a quorum for the transaction of business at any meeting of the Trustees.
B. Except as otherwise provided in the {20} or the {21}, each Trustee then in office shall have
one vote, and the vote of a majority of the Trustees present at a meeting at which a quorum is present shall
constitute the action of the Trustees.

Section 2.06. Notice of Meetings of Trustees. Notice of the place, date and time of each meeting of
Trustees shall be given not more than {22} nor less than {23} days before the date of such meeting to each
Trustee. Any notice referred to in this Section may be given by any reasonable means and, need not specify
the purposes of the meeting, except that if an amendment to the {24} or the {25} is proposed, a copy of such
proposed amendment must accompany said notice, and except with respect to proposed action to remove a
Trustee or an officer. Notice of any meeting shall be considered given if mailed or otherwise sent or
delivered to the Trustee at his or her address specified in the records of the Corporation. The giving of
notice shall be deemed to be waived by any Trustee who shall attend and participate in such meeting, other
than to protect the lack of proper notice at or prior to such meeting, and may be waived, in writing, by any
Trustee whether before, at or after such meeting.

Section 2.07. Meetings of Trustees.

A. Meetings of the Trustees shall be held at such place, date and time as may be fixed by the
Trustees or by the president as authorized by the Trustees. Trustees may participate at such meetings
through any communications equipment if all persons participating can hear each other.

B. Special meetings of the Trustees may be called by the president or by two Trustees who
deliver a written request to the Secretary for the calling of a meeting at least five business days prior to the
minimum notice period (as provided in Section 2.06) for the meeting to be called.

Section 2.08. Action Without Meeting. Any action which might be taken at any meeting of the
Trustees may be taken without such meeting by a writing or writings signed by all of the Trustees. The
writing or writings evidencing such action taken without a meeting shall be filed with the Secretary of the
corporation and for insertion in the permanent records relating to meetings of the Trustees.

Section 2.09. Honorary, etc. Trustees. The Trustees may establish such additional class or classes
of persons entitled to attend meetings of the Board of Trustees or other activities of the corporation as
determined by the Board of Trustees. The Trustees shall provide for the selection and privileges thereof,
provided that such persons, whether or not called “trustees”, shall not be entitled to vote, shall not be
counted for quorum purposes or for purposes of determining the number of trustees and the failure of such
persons to receive notice of a meeting of the Trustees shall not affect the validity of a meeting.

ARTICLE III
Committees

Section 3.01. Committees. The Trustees may from time to time create committees of the Trustees
consisting of not less than three (3) Trustees and appoint the members thereof. The Trustees may also
appoint advisory committees consisting of Trustees and/or persons who are not Trustees provided that at
least one Trustee shall be a member of each such committee. The Trustees may prescribe or limit the
powers and duties of any such committee.
Section 3.02. Committee Limitations.

A. Each such committee shall serve at the pleasure of the Trustees, shall act only in the intervals between meetings of the Trustees or in making reports to the Trustees and shall be subject to the control and direction of the Trustees. Except as otherwise provided by the law, the {26} or the {27}, each such committee may act by a majority of the whole numbers of its members.

B. No committee shall have the authority to:

(1) approve any action for which the approval of the Trustees is required by law;

or

(2) establish committees or the Trustees or appoint members thereof.

ARTICLE IV
Officers

Section 4.01. Election. The officers of the corporation shall consist of President, a Vice President, a Secretary, time to time designate. Election of officers shall take place at each annual meeting of the Board of Trustees or, if action is not then taken or if there is a vacancy, at any regular or special meeting for which notice is given as provided in Section 1.05. All officers must be Trustees. All officers shall serve at the pleasure of the Trustees.

Section 4.02. President. The President shall preside at all meetings of the Trustees. The President shall, subject to the direction of the Trustees, have general supervision, direction and control of the business and officers of the corporation. The President shall be an ex officio member of all standing committees. The President shall have the general powers and duties usually vested in the Chief Executive Officers of a nonprofit corporation under the laws of {28} and shall have such other powers and duties as may be prescribed.

Section 4.04. Secretary. The Secretary shall keep the minutes of the proceedings of the Trustees, shall be the custodian of all books, records, papers and property of the corporation and shall perform such other administrative duties as shall be necessary or desirable to carry out the purposes of the corporation. He shall have such other duties as may be established by the President with the consent of the Trustees. In the case of a vacancy in the officer of President, the Vice President shall succeed to such officer for the unexpired term.

Section 4.03. Vice President. The Vice President shall, in the absence or disability of the President, perform such other duties as from time to time may be prescribed by the President or the Trustees.

Section 4.04. Secretary. The Secretary shall keep the minutes of the proceedings of the Trustees, shall be the custodian of all books, records, papers and property of the corporation and shall perform such other administrative duties as shall be necessary or desirable to carry out the purposes of the
corporation. He shall have such other duties as many be established by the President with the consent of the Trustees.

Section 4.05. Treasurer. The Treasurer shall be the chief financial officer of the corporation and shall perform such other administrative duties as shall be necessary or desirable to carry out the purpose of the corporation. He shall have such other duties as may be established by the President or the Trustee.

ARTICLE V

Indemnification and Insurance

Section 5.01. Mandatory Indemnification. The corporation shall indemnify and Trustee, officer or volunteer of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action threatened or instituted by or in the right of the corporation), by reason of the fact that he is or was a Trustee, officer, employee, agent or volunteer of the corporation against expenses (including, without limitation, attorneys’ fees, filing fees, court reporters’ fees and transcript costs), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believe to be in or not opposed to the best interest of the corporation, and with respect to any criminal action or proceeding, he had not reasonable cause to believe his conduct was unlawful.

Section 5.02. Article V Not Exclusive. The indemnification provided by this Article V shall not be exclusive of, and shall be in addition to, any other rights to which any person seeking indemnification may be entitled under law or any agreement, vote of members of disinterested Trustees, or otherwise, but as to action in his 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 an officer or Trustee of the corporation and shall inure to the benefit of the heirs, executors, and administrators of such a person.

Section 5.03. Insurance. The corporation may purchase and maintain insurance or furnish similar protection, including but not limited to trust funds, letters of credit, or self-insurance, on behalf of any person who is or was a Trustee, officer, employee, agent or volunteer of the corporation against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the obligation or the power to indemnify him against such liability under the provisions of this Article V. Insurance may be purchased from or maintained with a person in which the corporation has a financial interest.
CONTRACTS

The use of contracts by house corporations has markedly increased in recent years. Probably the most common type of contract is the individual housing contract. Other types of contracts have been developed in regard to Fraternity employees, the house corporation/undergraduate chapter relationship, and Fraternity membership.

Because these contracts have legally binding documents, they should be carefully reviewed by the House Corporation's legal counsel.

Samples of all these contracts are included at the end of this section.

HOUSING CONTRACT:

The housing contract outlines the legal obligations, financial responsibilities, and conditions under which a member may live in the chapter house. Typical housing contracts include the following:

- The member's name and home address.
- The house corporation's name and address of the property.
- The duration of the agreement, including a schedule of the times the chapter house will be closed (i.e., summer, holidays, spring break, etc.)
- The amount of the rental fee and a statement of when the money is due.
- The amount of the board fee and a statement of when the money is due.
- Signatures of both the member and an agent of the house corporation. Note: Many house corporations have found it beneficial to require the signature of the member's parent(s). This is especially true if the member is not of legal age, or if the parents ultimately pay the room and board charges.
- Description of security deposits required or the guaranteed deposit fund.
- Hold harmless agreements for any suit, legal action, or claim against the chapter, house corporation, or General Fraternity in the event of personal injury or property loss.
- An agreement to abide by the regulations and standards of the house corporation, the chapter, and the General Fraternity including an agreement that the room and contents assigned to the member will be keep in good condition.
- A list of any restrictions which may apply to a member's room (i.e., water beds, lofts, cooking appliances, refrigerators, etc.).
- Provisions to terminate the contract in the event the member is expelled or suspended by the chapter or university/college, simple leave school.
- Consent to a reasonable search of the quarters and personal property by an authorized member of the house corporation or any law official.
EMPLOYEE CONTRACT:

The typical employees located in a chapter house might include the following: housemother, house director, cook, janitor, and yard man. In some cases these duties may be combined while in others they are distinctly separate. It is strongly recommended that the House Corporation and not the undergraduate chapter hire all Fraternity employees. The Employee Contract should include the following:

- Name of the House Corporation and its address.
- Name of the employee and his or her address.
- Terms of employment (length of contract, performance evaluations, etc.).
- A detailed description of all forms of compensation for the services rendered. This description should include such items as salary, vacations, insurance, retirement, workman compensation, etc.
- A complete description of the duties and responsibilities of the employee.
- Signatures of the employee and a representative of the House Corporation.

CONTRACT BETWEEN HOUSE CORPORATION AND CHAPTER:

The purpose of this type of contract is to clearly establish the relationship, duties, and responsibilities between the House Corporation and undergraduate chapter.

In most cases, the House Corporation is responsible for the long-term, major care and custody of the facility, hiring the employees, paying any appropriate taxes, utilities, insurance, and for providing a safe environment for the members.

The undergraduate chapter's responsibilities usually include collecting the room and board fees from the members and subsequently paying the House Corporation, the day-to-day upkeep of the facility, and to conduct programs that will ensure the continued existence of the chapter. Typical provisions of these contracts are as follows:

- Name of the House Corporation.
- Name of the Chapter.
- Duration of the contract.
- A complete and full description of the duties to be performed by both the House Corporation and chapter.
- A detailed description of the rental fees for the property.
- Dates during which the chapter house will be open and closed (i.e., summer, holidays, spring break, etc.).
- Policy regarding subleasing of rooms.
- Policies regarding alterations to the property.
- Rules and regulations regarding safety procedures and standards of conduct to be used in the chapter house. These procedures might include a predetermined schedule of fire drills, safety inspections, roof access, alcohol consumption, etc.
- Signatures of the chapter officers and the House Corporation officers.
Unlike the other contracts already discussed, a Membership Contract is normally between the undergraduate chapter and its member. This distinction is very important because of the House Corporation is not empowered to make decisions regarding a chapter's membership. In other words, the House Corporation cannot expel or suspend a member from the Fraternity. The House Corporation can of course have a member removed from the chapter house but this does not affect that individual's membership. Often, similar terms are used in the Membership Contract as in the Housing Contract. These contracts usually include:

- Member's name and address.
- Chapter's name and address.
- Description of the financial responsibilities of the members to the chapter.
- Hold harmless agreements for any suit, legal action, or claim against the chapter, house corporation, or General Fraternity in the event of personal injury or property loss.
- An agreement to abide by the regulations and standards of the chapter and the General Fraternity. The regulations and standards must not be in conflict with the Phi Delta Theta Constitution and General Statutes.
- Procedures and penalties if the terms of the contract are broken.
- Signatures of the chapter officers and the member.
This contract is for review purposes only. The house corporation’s legal counsel should carefully review any contract developed by your house corporation.

EMPLOYEE CONTRACT

(This particular contract is written for Chapter House Directors but can be easily altered for other employees.)

THIS CONTRACT entered into in the City of _______________ on the __________ Day of ________________, 20 ________, by and between __________ ______________________ (hereinafter referred to as the "Corporation"), and ________ ______________________ (hereinafter referred to as the "Director"), whereby it is agreed as follows:

1. The Corporation employs the Director to be the House Director of its chapter house which it operates for the benefit of the ______________ Chapter of Phi Delta Theta Fraternity, at ________________ ________________.

2. The term of employment shall commence on the ______ day of ______ __________, 20 ________ and terminate on the ______ day of ______ __________, 20 ________.

3. The Corporation shall pay the Director compensation for the services rendered as follows:

4. The responsibilities and duties of the Director are as follows:

5. Both parties agree that the enumerated responsibilities and duties can be and will be effectively performed in a normal forty-hour week.

Entered into on the date and at the place first stated above.

____________________________ Corporation    By: ______________________ President

Chapter House Director: ________________________________
This contract is for review purposes only.
The house corporation’s legal counsel should carefully review any contract developed by your house corporation.

MEMBERSHIP CONTRACT

I was initiated into the Phi Delta Theta Fraternity and signed the Bond after agreeing to follow the precepts of the Fraternity. The following promises are well covered in the General Statutes of Phi Delta Theta. I renew my vows including my pledge to, "Pass on the Fraternity greater than it was passed on to me," by signing these basic tenets:

1. I promise never to use or deal in marijuana or other illegal drugs on Phi Delta Theta Fraternity or university property, or at any fraternity or university-sponsored functions.

2. I promise to keep myself current financially with the Fraternity.

3. I promise to support the officers of Phi Delta Theta and uphold any rules of the International Fraternity or any regulations passed by my chapter or my university. I further promise to consider and treat anyone who has signed the Bond as my brothers.

4. I promise to support all goals pursued by my chapter. I further promise to actively participate in all chapter or university activities.

5. I promise to conduct myself properly at all times in public so as to bring credit to myself, my Fraternity, and my university.

6. I promise to maintain at least a 2.0 accumulative grade point average and participate in the chapter's scholarship program.

7. I realize that by signing my name to these promises I can be expelled from my Fraternity should I not adhere.

(Chapter Member)     (Date)

(Supervision Committee)
This contract is for review purposes only.  
The house corporation’s legal counsel should carefully review any contract developed by 
your house corporation.

CONTRACT BETWEEN HOUSE CORPORATION AND CHAPTER

THIS AGREEMENT entered into on the ______ day of ____________, 20____, in the City of __________, County of __________, State of __________, by and between ________________ Chapter of Phi Delta Theta (hereinafter, referred to as "the Chapter") and ________________, (hereinafter, referred to as "the Corporation"), a corporation incorporated under the laws of the State of ________________.

WHEREAS, the Chapter is a social organization among members of a student body of ________________.

WHEREAS, the Chapter desires to obtain the use of a Chapter House and services related to a Chapter House, but its membership rotates every for (4) years, and, thus, it does not have the stability of personnel to undertake such an ongoing operation.

WHEREAS, the Corporation has been organized and is directly by a Board of Directors who have agreed to maintain continuity among their membership, and of policies and practices over a long period of time.

WHEREAS, the Corporation is able and willing to provide the services of the Chapter House and related services for use by the Chapter.

NOW, THEREFORE, it is agreed between the Chapter and the Corporation as follows:

1. The Corporation will provide to the Chapter a Chapter House located at ______
   __________________________ in the City of ______
   __________________________ and in the State of ________________.

2. The Corporation will provide the services of a housemother and such kitchen and maintenance personnel as may be required.

3. The Corporation will provide meals for members of the Chapter and their guests as may be agreed from time to time between the Corporation officers and the Chapter officers.

4. The Chapter shall provide to the Corporation the services of its members of light household chores as may be agreed between the officers of the Corporation and the officers of the Chapter.

5. The Chapter shall cause its members to occupy the residential rooms in the Chapter House and to take meals in the Chapter House according to schedule and for such charges as may be agreed from time to time between the officers of the Corporation and the officers of the Chapter.
6. The Chapter agrees to administer its internal affairs in such a way as to require its members to pay any financial obligation that they incur to the Corporation promptly.

7. The Corporation shall employ a Housemother who will serve as its managing agent and direct the other employees of the Corporation in the execution and performance of their duties.

8. The Chapter agrees to support and enforce the rules and regulations adopted by the Corporation in regard to use of the Chapter House.

THIS AGREEMENT shall govern the business relations between the Corporation and the Chapter until it is altered, amended, or revoked by mutual agreement of the Parties.

THIS AGREEMENT is entered into on the date and the place first stated above.

__________________________ Chapter
of Phi Delta Theta Fraternity
By:

__________________________

__________________________ Corporation
By:

__________________________
This contract is for review purposes only.
The house corporation’s legal counsel should carefully review any contract developed by
your house corporation.

HOUSING CONTRACT

THIS AGREEMENT is entered into by and between the undersigned__________________________
__________________________ and his cosigning parent or guardian, hereinafter referred to as Occupant, and
__________________________, hereinafter referred to as House Corporation, as entered
into at ______________________, ____________, on the ______ day of
__________________________, 20__.

In consideration of the provision by House Corporation of room and board to member of
the above, the member agrees as follows:

1. That the Occupant shall accept and retain any room that may be assigned to him
at the Phi Delta Theta Chapter House, and shall take all meals at the Chapter
House unless his course of study should prevent it.

2. That the Occupant will maintain the room and contents assigned to him in good
condition in accordance with all the rules made or promulgated by the House
Corporation.

3. The Occupant pays at the signing of this agreement the sum of $________
________, representing the charge for room and board for the last month covered
by this agreement, and thereafter pays promptly each month in advance for the
Occupant's room and board the sum of $_________ until a total amount of
$________ is paid by the member to the House Corporation. It is expressly
understood and agreed by the parties that no credit will be allowed for meals not
taken at the Chapter House or for time spent living elsewhere, subject to the
provisions of paragraphs 5 and 6 below.

4. The Occupant agrees to hold harmless the ______________________
Chapter, the House Corporation, and the Phi Delta Theta General Fraternity for
any suit, action at law, or other claim whatsoever resulting from or rising out of
any injury to personal property while a resident of the Chapter House under this
contract.

5. The Occupant agrees to obey all rules, bylaws, and Constitutional requirements
of the House Corporation, of the Chapter, of the Phi Delta Theta Fraternity, and
of the _____________(university/college).

6. It is expressly understood and agreed that this agreement is for the entire period
set forth above, and that the liability of the Occupant shall not be released by
departure of the undersigned __________________________ from the
Chapter House, from the Fraternity, or from the ________________________
before the expiration of this period, except for sickness or physical disability of
the Occupant, or sickness or disability of the Occupant's immediate family which
requires the Occupant's presence. The House Corporation shall be the sole judge
of the applicability of this exception.

7. It is further expressly understood and agreed that no one will be granted rooming
space in the Chapter House who has not executed a contract in substantially
identical form to this one; and that the period of this agreement as set forth above
shall constitute the entire school year, except in the case of those individuals
graduating at the semester or participating in practice teaching; and that
occupancy and housing space for any portion of the designated period
presupposes the assumption of the room contract obligation for the entire period
except as specifically agreed otherwise by the parties. For anyone who must leave the Chapter House temporarily for student teaching during the period of this agreement, if a room is to be held for him, the monthly rate will be adjusted to $_______ per month during his absence, but any meals consumed at the Chapter House shall be assessed extra.

8. It is further expressly understood and agreed that the House Corporation has the right under usual circumstances to levy a pro rata vacancy assessment for one semester in the event of budgeted losses due to a large number of vacancies and an income shortage produced thereby.

9. In the event the Chapter House is rendered unhabitable by fire, explosion, or other catastrophe, this agreement shall become null and void.

10. In the event the Occupant fails to meet his financial obligations, fail to continue as a member of Phi Delta Theta Fraternity in good standing, or fail to continue as a member of the student body of ________ in good standing, the Occupant agrees to leave the Chapter House on three (3) days notice. In the event that the Occupant fails to leave the House within three (3) days the Occupant agrees that the House Corporation may remove all of his possessions and place them in safekeeping until such time as he claims them, provided that he claims them within thirty (30) days. If he fails to claim them within thirty (30) days, the Occupant's personal possessions will be deemed to have been abandoned, and sold and the proceeds applied to the Occupant's outstanding account, if he has any; but if the Occupant does not have an outstanding account, the proceeds shall be given to the House Corporation.

11. The undersigned, in consideration of being permitted to take residence on the premises of the ____________ Chapter or House Corporation on the ____________ Campus, or any annexes thereof, approved by the officers of said Fraternity, hereby consents to a reasonable search of the quarters utilized and occupied by the Occupant, as well as any personal property of the Occupant located on the above premises, at reasonable times, and without prior notice to the Occupant. Said search may be conducted by an authorized officer or designate of said Fraternity, or by any law enforcement officer of the State of ____________. The Occupant further agrees that he shall, upon request, open any locking devices or remove any impediments to such a search. The Occupant further agrees to indemnify and hold said Fraternity and its agents harmless from any and all claims, demands or liabilities, whatsoever the nature, which may result by reason of the damages to the Occupancy as a consequence of such authorized search.

12. The parent or guardian who signs this agreement guarantees all financial obligations of the Occupant set forth in this agreement.

IN WITNESS WHEREOF, we have set our hands the day and year first above written.

____________________________________________ Corporation

By: __________________________________________

____________________________________________

Occupant

____________________________________________

Parent or Guardian
FUND-RAISING

Phi Delta Theta has over 180 chapters with 120 owning real and personal property valued in excess of 50,000,000. With numbers like these, it is obvious there is a constant need for funds for acquisition, construction and renovation of housing. Accumulating these funds, maintain endowments for future needs, and providing operating capital for deferred maintenance and daily upkeep add to the need for substantial sums of money.

If you are involved with a chapter which owns or wants to own a chapter house, you may face the challenge of a major fund-raising project now or at some time in the future. It is the Housing Commission’s purpose to provide guidelines, warn of pitfalls, and to assist in this area in any way we can. Before undertaking a fund-raising campaign, you must realize the key ingredients are hard work and commitment. You will need both solid leadership at the chapter level and dedicated alumni if your goal is to be achieved.

STEP ONE: IDENTIFY THE NEED

Locate a local architect or contractor who is willing to evaluate your physical plant, pinpoint your needs, and develop rough cost estimates. You may have a local alumnus or parent of an undergraduate who can help in this area. If you cannot find an appropriate person, General Headquarters, other fraternities or sororities on your campus, or the University may be able to make recommendations. Having someone with experience working with fraternity housing would, of course, be preferable. Special attention needs to be given to wiring, plumbing, heating systems and kitchen needs, always keeping local building codes, zoning, disability legislation, and special University rules or guidelines in mind.

STEP TWO: ESTABLISH A FUND-RAISING COMMITTEE

The fund-raising committee needs to incorporate the undergraduate chapter, the House Corporation, and local alumni. Without participation from ALL of these groups, you are NOT a candidate for a successful fund-raising project.

STEP THREE: DECIDE WHETHER OR NOT TO USE A PROFESSIONAL FUND-RAISING SERVICE.

Each group must make a decision for themselves. There have been successful fund-raising campaigns both and with and without the assistance of a professional fund-raiser. If you decide to proceed on your own, here are some items to consider:

1) Be sure that someone on your committee has substantial experience in fund-raising.

2) Be sure you have a comprehensive, detailed and well thought out campaign strategy.

3) Be sure you have a large number of alumni committed to the project and the plan.

If you choose to use a professional fund-raiser, determine first that the organization has experience in raising funds for groups similar to yours. Make sure your fund-raising committee and the professional fund-raiser have a clear understanding of what responsibilities each will have, and determine, up front, what the cost will be.
STEP FOUR: COMMIT THE LOCAL CHAPTER

Pledging funds to a campaign is not and should not be restricted to alumni. The undergraduates can be encouraged to pledge $250, $500 or $1,000 to be paid at $50, $100 or $200 per year starting one year after graduation. If the undergraduates are serious and are willing to make such personal commitments, the alumni are usually more willing to contribute.

STEP FIVE: ESTABLISH YOUR PARTICULAR NEEDS

With your rough estimate in hand, you are now ready to obtain firm cost estimates, to prioritize your needs and wants, and to determine both the minimum and the maximum amount of money needed to complete the project you have in mind.

STEP SIX: THE ROLE OF ENDOWMENT

Each chapter must recognize that funds for renovation and maintenance are a critical need for every chapter. If you build a new house or renovate an existing one, the day your project is completed is the day that the house begins to deteriorate. A more permanent solution to house renovation and maintenance than fund-raising is the establishment of a chapter endowment fund. Needs will vary from chapter to chapter, but a level of $300,000, which would provide $25,000 in annual income might be considered a realistic level. If a portion of this endowment, the larger the better, can be incorporated into your fund-raising campaign, so much the better.

STEP SEVEN: IDENTIFY KEY CONTRIBUTORS

The fund-raising committee must now review its list of alumni and potential key or major contributors. This is perhaps the most important step in the campaign and the area in which the right professional fund-raiser can be of the greatest assistance.

If the wrong individual approaches a potential donor or if you ask for less than the donor might be willing to contribute, valuable dollars can be lost. The procedure to be used in approaching major donor must be well thought out and carefully executed. It is important to realize that 30 to 50% of your funds needs to come from this step.

STEP EIGHT: BORROWING MONEY

You need to determine how much you can borrow, from who, at what rate of interest, and with what pay back schedule. This needs to be examined in light of current debt and projected cash flow after construction.

STEP NINE: THE BROCHURE

There is a tendency on the part of the planners of a fund-raising campaign to want to begin with a brochure. To prepare a brochure before your campaign has been meticulously planned, before you have a good idea of your chance for success is a mistake. A well planned brochure can be an asset, but it needs to feature your key contributors and to let other alumni know how much you have already accomplished.
STEP TEN: ORGANIZATION

Alumni should be organized by class, and a committed, enthusiastic class captain should be chosen. Realistic class goals should be established, based on the overall campaign needs less what can be borrowed reasonably. Remember that if the class captain pledges $100, it will be difficult for him to ask other for $1,000.

A schedule should be set for the accomplishment of each step of the campaign, and areas of responsibility should be clearly understood. The total campaign should not take longer than six months. This does not mean you are doomed to failure if it does take longer; it simply means that your chances for success are greater if the campaign is kept within a reasonable time frame.

WHAT ARE THE INGREDIENTS OF A SUCCESSFUL CAMPAIGN?

1) CHAPTER AGE
   A chapter should be at least ten years old in order to have a reasonable alumni base upon which to draw. Without that base, a fund-raising campaign probably is not justified.

2) CHAPTER STATUS
   A chapter which excels in athletics, campus activities, scholarship, and brotherhood will find convincing alumni to support a fund-raising project far easier than will a chapter which has had problems in these areas.

3) CHAPTER ATTITUDE
   The unwillingness to the undergraduates to pledge to the campaign, a lack of prior communication with alumni, discipline problems within the chapter, and careless attitude toward the current living facility all tend to discourage alumni giving. A new or renovated chapter house can be a real boost to a chapter, but the new house cannot overcome internal problems.

4) ALUMNI ATTITUDE
   The more successful your alumni are, the more able they are to give; the better their college experience was the more willing they are to give. Alumni who have kept in touch over the years tend to be more generous in giving. If many live within easy driving distance and return to the house and the campus on special weekends like homecoming and parents weekend, if the chapter makes an effort to make them feel welcome, the more likely they are to contribute. Their undergraduate experience will have an influence too: if it was positive and meaningful, they are more likely to be interested in giving to help others have similar positive experiences.

5) ALUMNI LEADERSHIP
   A successful campaign needs to have at least one prominent alumnus at its head. In addition, a solid and committed campaign committee and dedicated class leaders are also essential. As mentioned earlier under Step Three, if a chapter does not have a dynamic, experienced and committed alumnus to direct the campaign, a professional fund-raiser is a viable alternative. The professional will know how to organize the alumni, how to select effective class leaders and will know that the recruitment of strong leaders is the key to success.
FINANCING OPTIONS

The first part of this section provided general information on fund-raising as a means to pay for new construction or renovation of an existing chapter house. Due to the enormous costs associated with these types of projects, even the most successful fund-raising efforts are rarely able to cover all of the costs.

The following flowcharts provide information on the most commonly used methods of funding the remaining balances of such projects. Along with each example appears the advantages and disadvantages of each approach.

Acknowledgement for Special Efforts:

Tom Devine, Sigma Alpha Epsilon
Dick Galloway, Former Palmer Foundation Trustee
FINANCING OPTIONS

COMMERCIAL LOANS
(No Guarantees)

FINANCIAL INSTITUTION
(Local Bank or Mortgage
Bank or Savings & Loan)
receives mortgage/collateral

House Corporation
borrows at current interest rate
(fixed rate or adjustable rate)

House Corporation
uses borrowed money to
purchase chapter house or
make repairs/renovations
to chapter house

House Corporation
adjusts rent for
higher insurance and taxes

Chapter pays rent
to House Corporation

House Corporation
pays monthly mortgage
plus higher taxes

House Corporation
Income

House Corporation
invest the money for
insurance and taxes

Cash Reserves
FINANCING OPTIONS
COMMERCIAL LOANS
(No Guarantees)

ADVANTAGES
Local financial institutions know their economic institutions may have little (or area (or market).
systems.

Local financial institutions may know key sources.
members personally.

Commercial institutions generally lend longer terms – 20 to 30 years.
may be very high

Alumni may be able to network.

be required

less willing to chapter.

willing to

DISADVANTAGES
Local financial wrong) knowledge of fraternity

Rates may be higher than other

Lending may be restricted during economy.

Total costs of financing (points, formal appraisals, etc.)

More supporting documents may by local institution.

Commercial institution may be deal with a down period of a

Local institution may be more foreclose and sell house.
FINANCING OPTIONS
COMMERCIAL LOANS
UTILIZING LOAN GUARANTEES

Individuals Guarantee Loan

Local Bank or Savings and Loan Lends Money

House Corporation Makes Repairs/Remodels to Chapter House

Chapter Rent

House Corporation pays monthly mortgage plus higher taxes

House Corporation Income

House Corporation Invests the money for insurance and taxes

Cash Reserves
FINANCING OPTIONS

UTILIZING LOAN GUARANTEES

ADVANTAGES

Improve chances of obtaining loan.
statements.

Improves chances of lower interest rate.
personal

guarantors and/or

DISADVANTAGES

May require personal financial

May require periodic update of
financial statement.

Must find willing capable
replacements.

More responsibility.
FINANCING OPTIONS

BORROWING FROM NATIONAL ORGANIZATION

National Organization lends money

House Corporation make repairs/models chapter house

Chapter pays rent to House Corporation

House Corporation budget pays back principal and
FINANCING OPTIONS
BORROWING FROM NATIONAL ORGANIZATION

ADVANTAGES

More information and knowledge of the chapter.

Probably know some House Corporation $100,000. Officers.

evaluating the overall
Understand the Fraternity system.

More flexible on terms.

Lower interest rate – maybe.

Probably willing to meet unique situations.

Probably willing to take mortgage.

Probably willing to deal with contribution pledges.

DISADVANTAGES

More information and knowledge chapter.

Probably limited in amounts to

Probably more critical in plan.
INTERNAL FINANCING FROM BUDGETED OPERATIONS

House Corporation
Cash Reserves
Or
Building Fund Investment

Money Lent to House Corporation
Borrows from Itself
% Rate = to % Being Earned at Time of Loan

Money Used by
House Corporation
For Remodeling/Repairs
To Chapter House

Chapter Rent

House Corporation
Pays Monthly Mortgage
Plus Higher Taxes

House Corporation
Income
House Corporation
Budgets Properly to
Pay Back Both
Principal and Interest
## Financing Options

**Internal Financing from Budgeted Operations**

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheap – No loan closing costs.</td>
<td>Difficult for House Corporation to program extra funds to build up reserves and invest.</td>
</tr>
<tr>
<td>- No points</td>
<td>Difficult to maintain discipline.</td>
</tr>
<tr>
<td>Discipline is excellent.</td>
<td>Difficult to convince chapter to raise rent since they contributed cash reserve.</td>
</tr>
</tbody>
</table>
FINANCING OPTIONS

CHAPTER ENDOWMENT FUND/TRUST AGREEMENTS

- National Holding Account
- House Corporation Surplus
  - Chapter Surplus
  - Annual Giving
  - Alumni Gifts
  - Bequests

Money Loaned to House Corporation

Mortgage/Collateral Guarantees
(Interest Rate = % Being Earned at Time of Loan)
Used for Repairs/Remodeling

Chapter Rent

House Corporation
Income
(Paid Bank with Interest)

House Corporation pays monthly mortgage plus higher taxes

Interest

Principle
FINANCING OPTIONS

CAPITAL AND SPECIAL PURPOSE FUND DRIVE
(Not Tax Deductible)

- Project Identified
- Money Raised from Alumni

House Corporation
- Master Plan
  - Furniture
  - Rooms
  - Projects
## FINANCING OPTIONS

**CAPITAL AND SPECIAL PURPOSE FUND DRIVES**

(Not Tax Deductible)

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheapest of all – no repayment.</td>
<td>Requires significant work.</td>
</tr>
<tr>
<td></td>
<td>Contributions generally not tax-deductible.</td>
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<tr>
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<td>Requires longer time to implement.</td>
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<td>Requires longer time to receive cash.</td>
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</tbody>
</table>
FINANCING OPTIONS
INSTITUTIONAL AND FOUNDATION SHELTERING

ADVANTAGES
Tax Deduction.
Creates reserves.

DISADVANTAGES
Difficult to obtain institutional cooperation.
EDUCATIONAL FOUNDATION GRANTS – NATIONAL FOUNDATIONS
Establishing Tax-Deductibility of Donations for Grants
(Contributions Are Tax-Deductible)

START HERE

- HOUSE CORPORATION
  Develops and Implements
  Fund Raising Campaign

- DONORS’ CONTRIBUTIONS
  Are Tax-Deductible

EDUCATIONAL FOUNDATION
Prepares Policy Statement
and Furnishes Application
Instructions and Examples
to House Corporation

EDUCATIONAL FND
Qualified for Scholarships,
Educational Grants
and Loans
(501© (3) Corporation)

SEE FOLLOWING CHART

- HOUSE CORPORATION
  Applies for Grant for
  Educational Portion
  of New House Costs

- EDUCATIONAL FOUNDATION
  Applies for and Received
  An IRS Private
  Letter Ruling

- EDUCATIONAL FOUNDATION
  Hires Architect Who Assists
  Tax Lawyer in Calculating
  Percentage of New House
  Costs Which Qualify
  for Educational Grant

- HOUSE CORPORATION
  Hires Contractor
  to Build New House

- HOUSE CORPORATION
  Hires Architect to Draw
  Plans and Furnishes Copy
to Educational Foundation

- HOUSE CORPORATION
  Plans New House

START HERE
FINANCING OPTIONS

EDUCATIONAL FOUNDATION GRANTS – NATIONAL FOUNDATIONS
(Contributions Are Tax-Deductible)

NOTE: FOUNDATION REPRESENTATIVES MAY MAKE ROUTINE VISITS

EDUCATIONAL FUND
Provides Scholarships and Educational Grants
(501 © (3) Corporation)

HOUSE CORPORATION
Receives Grant for Educational Portion of New House Costs

HOUSE CORPORATION
Uses Grant Money as Portion of Money to Build a New House

HOUSE CORPORATION
Establishes Chapter Rent to Provide for Insurance, Taxes, Repairs, Maintenance and Future Renovations

CHAPTER
Pays Rent to House Corporation

CHAPTER
Collects Rent from Members

HOUSE CORPORATION
Rent Income Used As Normal

HOUSE CORPORATION
Cash Reserves Allocated for Expenses, Maintenance and Future Renovations
**FINANCING OPTIONS**

**EDUCATIONAL FOUNDATION GRANTS – NATIONAL FOUNDATION**

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Deduction for Alumni Rules</td>
<td>Difficult to Follow All the Detailed IRS Rules</td>
</tr>
<tr>
<td>Cheapest of All – No Repayment</td>
<td>A Patch Instead of a Fix</td>
</tr>
<tr>
<td>Creates Cash Reserves or Endowment Soundness if Rent is Properly Established</td>
<td>Creates A False Sense of Fiscal Soundness</td>
</tr>
<tr>
<td>Collect</td>
<td>Most House Corporations Do Not Collect Sufficient Rent</td>
</tr>
<tr>
<td>Policeman</td>
<td>IRS Rules Have Not Been Tested</td>
</tr>
<tr>
<td>Donors’ Tax</td>
<td>Educational Foundation Becomes IRS Policeman</td>
</tr>
<tr>
<td></td>
<td>Expensive to Establish the Program</td>
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<tr>
<td></td>
<td>House Corporation Must Protect Deductibility</td>
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</tbody>
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**NOTE:** Grants can be used in conjunction with borrowing from Educational Foundation(s) and/or borrowing from national organization(s) and/or commercial lender(s).
FIRE AND LIFE SAFETY LOAN PROGRAM

The members of the Fraternity's Housing Commission and Palmer Trustees have adopted a very simple goal: to ensure that Phi Delta Theta has the safest fraternity houses of all fraternities. These men realize, however, that before this goal can become a reality, fire and life safety precautions must be improved in many of the chapter houses. These improvements include, but are not limited to, hard-wired smoke detectors, emergency lighting systems, pull-station alarms, lighted exit signs, sprinkler systems, fire escapes and properly rated fire doors. These are some of the key precautions that have been identified by the Fraternity's insurance company in preventing serious injury or death to the members living in our chapter houses. Of course, all of these precautions cost money.

To help house corporations with the financial cost associated with these precautions, the Housing Commission, in conjunction with the Palmer Fund and General Council, has developed a new Fire and Life Safety Loan Program. This new program will provide loans up to $25,000 at 4% interest for house corporations making specific fire and life safety improvements to their facility. The term of the loan can be up to three years and there is an abbreviated application form. A copy of the application form is attached. For house corporations needing more than the $25,000 limit, traditional loans from the Walter B. Palmer Foundation are available.

For more information about this important new program, please contact me at the General Headquarters.
THE WALTER B. PALMER FOUNDATION ENDOWMENT

The Walter B. Palmer Foundation, established in 1922, was created to provide loans to assist chapters and chapter house corporations in purchasing, constructing, or refurnishing chapter houses. Since 1924, over 100 chapters have benefited from loans arranged through the Palmer Fund.

The Foundation’s appointed trustees conduct the business of the Palmer Fund. The trustees set all policies regarding loans, review loan applications, and make the final decisions on those applications. The interest rates are also set by the trustees and do fluctuate from time to time. Usually, the interest rates are substantially lower than other available commercial rates.

Included in this section is a copy of the current Statement of Policies, the cover letter which is sent with loan applications, a sample loan application, mortgage loan promissory note, and a Guaranty Form. Please note that this information is for review purposes only. For current policies and applications, you must contact the General Headquarters.
WALTER B. PALMER FOUNDATION ENDOWMENT FUND
Assisting You in Preparing and Submitting An Application

The intent of the Trustees is to communicate information and ideas to assist House Corporations applying for a loan. The comments are generalized and should apply to the vast majority of applications submitted. We encourage you to also read the Common Questions and the Statement of Policies and Guidelines. The comments below highlight some areas that may assist you in minimizing your efforts and expand your understanding of preparing an application.

The completion of the entire application form is required for your House Corporation to receive consideration for a loan from the Walter B Palmer Foundation Endowment Fund.

The size and detail of the application may at first appear formidable, but I assure you that the form has been designed to summarize your proposed transaction, the Chapter and House Corporation financial condition, demonstrate the ability to afford the additional cash flow, etc., for the mutual benefit of the Trustees and the applicant. You can really view the completed application as an abbreviated business plan.

A complete and thorough application supported with the required financial statements is the key to any successful application and substantially speeds up the approval process. A partially completed application will not be considered by the Trustees and should not be submitted. The application form must be completed in its entirety and is not considered complete without the supporting documents attached.

The appraisal, Part III of the application form, generally does not require a formal MAI appraisal where the loan requested is a small dollar amount, less than 20% of total appraisal value, and the total indebtedness will be less than 50% of the total appraised value. The Trustees will accept an informal appraisal from any knowledgeable individual, preferably someone in local real estate, in order to save you appraisal costs providing the appraisal is in writing on the individual's letterhead paper and signed. However, in these cases, we do require copies of the most recent property tax valuation in support of the informal appraisal.

The Palmer Foundation's responsibility is to ensure sufficient collateral to protect the Foundation's principal, but of even more significance, is ensuring uninterrupted cash flow from the loan payments to make loans available for other chapters. The Trustees may require loan guarantees, depending on the condition of the collateral and the percent of appraisal value encumbered, but equally important, depending on the history and/or financial trends of the active chapter or the House Corporation. This is normally done by personal guarantees of the loan by alumni brothers with sufficient net worth to assure the loan payments remain current and ultimately the loan is repaid in total and in a timely manner. In summary, since the Foundation has no staff and is not intended to engage in the real estate business, the financial assurance of timely cash flow is very critical.

The Trustees believe that it is very important for the House Corporation to establish an ongoing case reserve accumulation program to have funds available for routine repairs and maintenance as well as the minor crisis of a boiler breaking down, roof leaks, etc.
Unfortunately, many House Corporations have not followed this philosophy, and charge
rental to the active chapter only sufficient to meet current financial needs. The House
Corporation must accumulate funds in excess of the required monthly loan amortization
payment to utilize for establishing and maintaining a case reserve fund for ongoing
repairs, maintenance, renovations, etc. Include with the submitted loan application your
written program (should be formally approved by the House Corporation Board) as to
establishing a policy that accomplishes this same objective.

A summary of the itemized cost estimates providing an overview of the scope of work to
be undertaken is both critical and mandatory. This summary, together with supporting
signed formal itemized cost estimates from architects, builders, contractors, remodelers,
etc., provides assurance that the required work and the applicable costs have been
sufficiently documented. The principal reason that a House Corporation runs into
financial trouble on a project is because they have not performed sufficient investigation
and evaluation to thoroughly estimate the total costs.

Our experience with renovating and remodeling older houses indicates costs will always
exceed the estimates when actual renovations begin. Assume it will cost more - it always
does - and leave an extra cushion (at least 10-15% more) beyond what the contractors
estimate for contingencies.

Our experience indicates that designating a single coordinator for the House Corporation
significantly enhances the flow of documents and expedites the approval process.
Various brothers calling the trustees inevitably leads to confusion and misinterpreted
communications. Conference calls are a treat! If the application is approved and the
commitment letter issued, I strongly suggest you select an attorney or someone
knowledgeable of real estate transactions to coordinate and issue all documents with First
Financial Bank in Hamilton, Ohio. You may consider these suggestions to be trivial but I
assure you that trying to piecemeal the submission of documents will significantly reduce
the speed for the loan approval or the disbursement closing.

Be sure that the "as of dates" for data are consistent with each other throughout the
application and attachments. For example, the amounts for dates and amounts for current
debt in Parts IV and V and financial statements should be the same or reconciled and
explained. If information on chapter financial information Part VI (dues, rent, etc.) are
going to change in the future, note which data in Part VI is current and which is proposed
and the proposed effective date. Make certain the proposed rates for dues, rent, etc. are
used in all proforma financial data as of the correct date.

You can rest assured that the Trustees will endeavor to provide a loan to your House
Corporation providing the plan is soundly devised and that the Chapter and House
Corporation can adequately support the cash flow for the financing.

Walter B. Palmer Foundation
August 16, 2000
WBPFLOANAPP.doc
The Trustees have adopted this Statement as a general guide in granting loans to chapter house corporations or, in rate circumstances, to active chapters. The policies and guidelines are at the discretion of the Trustees and may vary at any time if such action may be deemed proper or advisable. Each loan application will be considered on the merits of that chapter as to acceptability, amount and terms thereof.

In making any loan, the Trustees will be guided in the use and preservation of the assets of the Fund by regard for the existing potential needs of all other chapters of the Fraternity, the standing and record of the chapter seeking the loan, the demonstrated financial record and projected finances of the applying Chapter and House Corporation, the interest and stability of the alumni organization sponsoring the chapter, the attitude of the college or university toward fraternities in general, the competitive position of Phi Delta Theta on that campus, and the condition of local and general building costs.

1. The policy of the Trustees is to encourage applicants to obtain first mortgage loans from local sources whenever possible and to borrow the excess funds needed, if any, on second mortgage security.

First mortgage secured loans made by the Foundation may be for an amount not to exceed $175,000, absent exceptional cases, nor to exceed 60% of the fair appraised value of the house and lot. A loan for up to $250,000 can be made for House Corporation that raises $500,000 or more for housing projects.

3. Second mortgage secured loans made by the Foundation may be for an amount not to exceed $125,000, absent exceptional cases, nor to exceed 50% of the fair appraised value of the house and lot; provided further that the total of all indebtedness (excluding unsecured debt of alumni brothers) shall not exceed 80% of the fair appraised value of the house and lot. A loan of up to $200,000 can be made to a House Corporation that raises $500,000 or more for housing projects.

4. Leasehold secured loans may be made, but only at the discretion of the Trustees, on chapter houses erected upon leased land where colleges or universities provide use of a portion of their land for the construction of chapter houses and charge a nominal rental for the use of said grounds, provided the terms and conditions of the leases are satisfactory to the Trustees and all indebtedness shall not exceed 60% of the fair appraised value of the house. In reviewing an application for leasehold loans, the Trustees will consider the age and character of the chapter, the attitude of the college toward control of fraternity policies, and any other factors that would indicate the probability of continuous occupancy of the property by the fraternity chapter. These loans normally require guarantees, either by the educational institution or personal.
5. In addition to the other security, the Trustees may require that personal guarantees, pledges acceptances, or notes be placed with the Trustees as additional collateral in the amounts designated by the Trustees. Such individual personal guarantee would normally not be less than $5,000 nor exceed $10,000.

6. Payment of all loans shall be paid in full on or before ten years after the normal monthly payments are to commence. Normal monthly installment payments thereon shall be an amount which, including interest computed monthly, will amortize the loan by its maturity date; provided, however, that where the security and finances are deemed sufficient and other circumstances such as new construction or major total restorative construction justify more liberal terms for repayment, the Trustees may accept a fifteen (15) year amortization schedule of payments thereon.

7. Interest rates for the first or second mortgage loans for real estate shall bear interest at eight percent (8%) per annum. However, first and second mortgage loans will be six percent (6%) per annum, if it is demonstrated to the Trustees that over 50% of required financing is obtained locally either by mortgage or fund-raising. In event of any default on a loan, the entire balance shall become due and bear interest at twelve percent (12%) per annum or the limit stipulated by state law.

8. All insurance coverages and any insurance obligations are subject to the review and approval of the Walter B. Palmer Foundation, Inc., and all other parties insured under the Phi Delta Theta insurance programs including 30-day written notice of cancellation must be provided.

Property/Boiler & Machinery Insurance via the Phi Delta Theta insurance programs for the above property. The amount of insurance shall be sufficient to cover the fair value of Building Improvements, Contents, Annual Income, and Estimated Additional Expense. The amount of insurance for the Building shall not be less than the aggregate of borrower's mortgage indebtedness.

Evidence of insurance coverage that is satisfactory to the Walter B. Palmer Foundation, Inc., via the PDT Director of Risk Management must be confirmed. Adjustments in any and all of the following types of insurance program coverages may be necessary: 1) Property, 2) Boiler & Machinery, 3) Builders Risk/Installation, 4) General Liability, 5) Auto Liability, 6) Worker's Compensation.

Protection of the appropriate Walter B. Palmer Foundation, Inc., and other Phi Delta Theta Fraternity additional interests shall at minimum include evidence of the following insurance policy provisions: 1) (All first Party Coverages) Property, Boiler, Builders Risk of Installation: (mortgage, Loss Payee) as our interest may appear. 2) (Third Party Coverages) General Liability, Automobile Liability; (Additional Insured). 3) Worker's Compensation (Statutory Coverage).
Mortgage/Loss Payee Clause:
Walter B. Palmer Foundation Endowment Fund
c/o First Financial Bank
Attention: Gayle Wyckoff
300 High Street
P.O. Box 476
Hamilton, OH 45012

9. No loan will be made unless the Trustees have been furnished with satisfactory
evidence showing that the title to the mortgaged property is in the borrower’s
name and that the same is free and clear of all encumbrances, except current taxes
and assessments, restrictions and zoning ordinances of record, if any, and such
prior mortgages liens as may be stipulated. This is normally satisfied by an
ALTA policy.

Statement of Policies and Guidelines
10. The Trustees shall also be furnished a certified copy of a Corporate Resolution of
the Board of Directors of the Chapter House Corporation authorizing the
corporation to borrow the amount in question from the Palmer Foundation and
directing the proper officers by name and title to execute the note and security
instrument. Such copy of corporate resolution shall bear the actual signatures of
all officers and not less than fifty percent (50%) of all members of the Board of
Directors.

11. The borrowing House Corporation shall provide the Trustees with its Federal Tax
Identification Number.

12. The borrower shall pay all expenses involved in making any loan.

13. Each House Corporation applicant for a mortgage loan must demonstrate to the
satisfaction of the Trustees that its annual rentals from the active chapter and
receipts from other sources, if any, will be sufficient to annually pay all fixed
charges (including taxes, insurance, repairs and maintenance, and principal and
interest installments on all mortgage debt) and maintain a satisfactory fund for
repairs and maintenance. In support thereof, audited financial statements shall in
accordance with the instructions on the application, accompany each application.

14. Loans may be made for the purchase of furniture, furnishings and equipment for
use in chapter houses for an amount not to exceed eighty percent (80%) of the
total cost. Such loans will generally not be for less than $10,000 and shall be
secured by a chattel mortgage or in such other manner as the Trustees may deem
satisfactory. Any such loan shall bear interest at twelve percent (12%) and shall
be repaid in monthly installments sufficient to amortize the entire loan, including
interest, within a period of three years. In event of any default, the unpaid balance
shall bear interest at eighteen percent (18%) per annum or the limit stipulated by
state law.
WALTER B. PALMER FOUNDATION ENDOWMENT FUND

Common Questions

1. Who can apply for a loan?
   House Corporations which are duly authorized by the state or province in which they are located are, by Fraternity statute, the only authorized bodies that can obtain loans.

2. How often, and when, do the trustees meet to approve loan applications?
   Trustee meetings are not regularly scheduled but are generally held once each quarter. Applications are usually approved by circulating them among the Trustees and then being ratified at the next regular formal meeting.

3. What percentage of the loan applications submitted are approved?
   About 98% of fully completed applications submitted are approved. Only five applications were turned down or placed on hold in the past 15 years. That is not to say that every other application submitted during that time period was approved upon its initial submission for exactly the full amount or exactly under the terms requested.

4. How does the House Corporation obtain the loan application form, Trustees guidelines, and other information for the Palmer Foundation Loan?
   Contact the Director of Risk Management and Housing at the General Headquarters (513/523-6345). The House Corporation Guide (an excellent manual provided from the General Headquarters) has an entire section (Section 5) devoted to the Palmer Foundation. Very Important: Make sure you have the latest application form guidelines, etc. The application material is periodically revised and we do not want you wasting your time completing an outdated form or furnishing excess material.

5. If my House Corporation problems or needs are unique, may I discuss my situation with someone before requesting an application?
   Contact any one of the Trustees, but, again, the usual first contact is the Director of Risk Management and Housing. The Trustees are accustomed to dealing with unique situations and customizing arrangements is a way of life with every loan project. The Trustees have long-term experience dealing with chapter housing and ultimately have come to the conclusion that every situation is unique - call and we can discuss your circumstances.

6. How long after the complete application is submitted does it take to get a loan approved? What can be done to speed up the approval of the loan?
   The key word in the question is complete. Submitting a partial completed loan application is the single most common reason that approvals are delayed. First, always complete the loan application form in its entirety.
The application form is not very elaborate or fancy. Remember, the Trustees minimize costs (the Foundation's and yours) by not performing on-site visits or requiring other face-to-face meetings.

The legal paperwork is also very minimal. The application is a summary intended to paint a very clear picture of the local housing situation, local housing financial needs, the use of the funds, the House Corporation's ability to afford costs, and the proposed repayment program - very similar to a "business plan." This summary generally is of significant benefit to the House Corporation.

The approval process can be very rapid. Recently, an application was received on the same day as a trustee meeting. The application was thorough, complete, and the low amount requested was within the loan guidelines. The loan was approved without change at the meeting that day and the commitment letter was issued the very next day.

7. What are some other key steps in getting a loan approved and the funds disbursed?
   First, if you are in doubt or unclear about information requested, call the Director of Risk Management and Housing at (513/523-6345) - and discuss the question and your proposed response. Don't create work for yourself by supplying unnecessary information and then find you're asked to furnish more or different information. Generally, more information is better than less but don't interpret this to mean that photocopies of extraneous documents will substitute for the requested documents.

   Second, have one House Corporation representative coordinate the information with the Director of Risk Management and Housing. Multiple contacts (from alumni, House Corporation officers, and/or chapter members) invariably lead to misunderstandings and unsatisfactory progress.

8. Does it take very long to get the money after the Trustees have approved the loan application and issued a commitment letter?
   Usually a commitment letter specifying terms and conditions of the loans, along with the list of required legal documents, is issued within a few days following the approval of the loan application.

   The bank custodian, First Financial, can disburse the funds within a few days following approval of the loan application.

   In other words, delays usually are caused by the House Corporation's failure to furnish complete and required legal documents. Have someone knowledgeable and with expertise in real estate escrow procedures handle the escrow with First Financial. The bank custodian and administrator
require that every "i" is dotted and every "t" is crossed before they release the money under a mortgage document. Another major cause for delay is attempting to submit documents piece meal rather than as a completed package.

9. How long does a loan commitment remain open?
   Typically, a commitment letter might remain open for up to six months if there is no change in the facts and circumstances of situation when the loan was approved. If there are changes in the facts and circumstances or the six-month time limit elapses, the House Corporation is encouraged to reapply for the loan. The previously approved application can serve as an excellent starting point for the reapplication process. In many cases, simply substituting updated information with revisions and signatures to the application (such as financial data, formal bids, chapter consultant reports, etc. where appropriate) will be sufficient.

10. Can a loan be obtained from the Palmer Foundation for house modernizations, refurbishing, and renovations even if no new construction is involved?
    Yes, in recent years, by far most loans have been modernizing, refurbishing, and renovations. The most common problems incurred in chapter houses creating the need for a loan are bathroom and shower facilities, roofs, kitchen remodeling and/or equipment, and fire or safety code compliance.

11. How do Trustees determine whether the loan repayment (sometimes also called loan amortization) is for 5 years, 10 years, or 15 years?
    Generally, by reviewing the scope of the project, the type of materials being added or repaired, and the amount of new construction. Also, critical to the evaluation is the condition of the remainder of the house. Consultations with individuals, professionals and college administrators, knowledgeable of institutional usage wear and tear in the academic field, confirmed these years and considerations are appropriate and consistent. General rules of thumb for determining the loan repayment length are:

A. Five years or less where the significant portion of the expenditure is for general repair, modeling, or refurbishing. This would include roofs and other longer life assets if remaining facility is not in excellent condition. Typically, in this example, the house is over ten years old and hasn’t had major repairs in over five years.

B. Ten years or less where the significant portion of the expenditure is for general repair, remodeling or refurbishing. This would include roofs and other longer life assets if remaining facility is not in excellent condition. Typically, in this example, the house is over ten years old and hasn’t had major repairs in over five years.
C. Fifteen years when the project consists of new “bricks and mortar” such as construction or purchase of a newly constructed house, an addition to an existing house or the significant renovation to an existing house, either of which result in the equivalent of a newly constructed house.

12. Why would the Palmer Foundation Trustees insist on personal guarantees from alumni brothers when the loan is well secured by the value of the fraternity house?

A. Personal or school guarantees are generally required if the house is on leased school property.

B. Personal guarantees are generally required when 1) the active chapter has not demonstrated sound fiscal responsibility for at least the past three years, 2) the chapter membership is small and/or with wide variations in membership size, or 3) the House Corporation is not charging and collecting sufficient rent to perform routine repairs and maintenance, and to accumulate cash reserve funds.

C. The General Council of Phi Delta Theta (consistent with all major fraternities), Palmer Foundation Trustees, and the General Fraternity officers have determined that it is not practicable to be owners and/or managers of chapter houses. The Foundation has no staff or other capability to manage a chapter house. The General Council and Palmer Foundation Trustees have always felt house management is best accomplished with local alumni.

13. Will the House Corporation guarantors be required to file personal financial statements?

Personal financial statements are not required. However, we rely on the House Corporation Officers and Province Presidents to assure that the individuals providing loan guarantees have sufficient financial resources and the willingness to unequivocally stand behind their guarantees.

14. If guarantees are required, what is the normal limit acceptable per individual?

A small number of guarantors with higher limits are preferable to a large number of guarantors with very small limits. For example, the minimal amount of normally acceptable guarantee would be $5,000 and the maximum acceptable amount would be $10,000 per individual. Further, we would not expect that any one individual would guarantee more than 10% - 20% of the initial debt obligation. Typically, the guarantee is important to keep the loan payments current, not a requirement to pay the entire guaranteed amount. The alumni are free to work out and coordinate locally, the rare instance requiring payments under the guarantee locally.
15. Do the trustees require personal presentations by the House Corporation? Do the Palmer Foundation Trustees visit the house and meet with House Corporation officers before a loan will be issued?
   No, to both. Only in very rare circumstances have the Trustees visited a chapter house before granting a loan. The completed loan application speaks for you. This is another reason why the thoroughly completed application is so critical.

16. Do the Trustees give loans where the land is leased from the university or where the land and building are leased from the university?
   Yes, but generally the loan must be guaranteed since there is no security for the Palmer Foundation. Most schools will cooperate by furnishing a guarantee in these circumstances.

17. Will the Palmer Foundation make loans or grants for chapter operating needs? Examples are tiding chapter through a short-term problem such as a small pledge class or problems collecting accounts receivable?
   No, the Palmer Foundation is not authorized to make loans for operating needs. The Palmer Foundation is not authorized to make grants or awards for any purpose. These needs are the responsibility of chapter alumni, the House Corporations, and chapter adviser.

18. What are some examples of loan requests that were declined and the reasons for declining them?
   A. Seed money or grants for operating needs such as paying chapter bills
   B. Luxury items – swimming pool, stereo systems and stereo system wiring
   C. Lack of sound financial controls in the active chapter and/or House Corporation
   D. Insufficient chapter revenues to afford the cost of house improvements
   E. Lack of alumni support such as fund raising or willingness to guarantee loan
   F. House Corporation not legally organized or operational
   G. Insufficient planning and lack of documents supporting the cost of proposed improvements
   H. House Corporation already having sufficient funds on hand to complete project and maintain reasonable cash reserves.
19. What are typical costs for a loan? Is there an application fee?
The Palmer Foundation does not charge any fees for an application or processing loan. There are no “points” charged for a loan.

However, you should keep in mind that all loan costs such as fees and expenses of filing documents, Risk Management Survey, legal, accounting, and escrow fees at the local level, wire transfers, and title insurance are borne by the House Corporation.

20. What are late fees associated with loan payments?
A fee (or penalty) of an additional 5% of the regular payment amount is charged when the payment is received after the expiration of the grace period (generally the 15th of the month) at the First National Financial Bank in Hamilton, Ohio.

21. What happens if the loan is in default?
In accordance with the loan agreement, the interest rate on a loan in default will be raised to 12%. The Palmer Trustees will then consider beginning foreclosure proceedings.

22. Why do Trustees insist upon having audited financial statements with the application?
According to Title IX, Section 96 of the General Statutes of Phi Delta Theta, the Palmer Foundation Trustees are required to review audited financial statements. The Trustees are not authorized to waive the audit requirement for either the active chapter or the House Corporation.

23. What suggestions do the Trustees most often make for improving house operations?
A. Working knowledge of The House Corporation Guide.

B. Installation of “guaranteed deposit system” as a condition of living in the chapter house has proven successful in many situations. This procedure is even more important if the chapter has a history of members with large accounts receivable, high turnover, or declining membership.

C. Developing and installing a systematic procedure for establishing chapter rent sufficiently high to establish and maintain adequate repair and maintenance funds.

D. The House Corporation should be responsible to pay the insurance premiums and taxes. Active chapters always seem to have trouble budgeting for these large periodic payments. Recover amounts by including in monthly rent.
E. The active chapter should be responsible for paying for utilities. The active chapter members and their mode of house usage are the most significant factors controlling the costs of electricity, hearing, telephone, and cooling. Many house corporations require monthly reimbursement if the house corporation pays the utilities.

24. Why does the Palmer Foundation lend at 8% and 6% when the commercial real estate loan market rate is currently between 8-10% and has been over 13% in the recent past?
   The Trustees are not trying to make a commercial profit. Some key goals are to protect the purchasing power of the funds for future generations and to provide superior housing opportunities for members of Phi Delta Theta.

25. Does Palmer Foundation offer loans, which provide for multiple drawdowns of principal during construction or a revolving credit loan up to a specified amount?
   No, the bank custodian for the fund currently does not offer this service. We understand it is unlikely to be available anytime in the near future.

26. Will the Palmer Foundation Trustees lend when the House Corporation and/or the chapter has excess funds which are invested at higher rates?
   Generally, no. However, once again, every situation is unique and may require discussion and explanation to reach a mutually satisfactory conclusion. The key word is excess. The Trustees expect that the normal repair and maintenance fund would be held and invested awaiting future needs. The House Corporation should have funds, which equal approximately 2-3 years of normal repair costs.

27. Can an active chapter obtain a loan directly from the Palmer Foundation?
   No, Only House Corporations are authorized to obtain loans.

28. Will the General Fraternity (or any other Phi Delta Theta organization) purchase a chapter house for the use or rental of an active chapter?
   No. The General Council has declined to engage in the chapter house or real estate ownership solely for active chapters. The Phi Delta Theta policy is consistent with the policies of all major fraternities.

29. Is money currently available for loans from the Palmer Foundation?
   Yes. Currently monies are generally available. If funds for a loan were not sufficient for a period, the Foundation’s cash flow generally provides money within a few months.

30. How did the Palmer Foundation obtain the money that it lends? Monies received from General Fraternity?
Foresighted alumni brothers started the Foundation’s Endowment Fund in 1920 with contributions. For many years, through 1972, the fund received $10 from each initiation fee. From 1973 through June 1990, the fund was self-sustaining except for a $50,000 contribution by the General Council in 1986 and a $1,000 contribution by the Mississippi Alpha chapter (University of Mississippi) in 1982. For the Biennium of 1990-92, General Council contributed $10.00 to the fund from each initiation fee.

31. How do I obtain information such as the status of an existing loan, loan balance, late fees owed, “pay off” amount, etc?

Gayle E. Wyckoff  
Assistant Vice President/Trust Officer  
First Financial Bank  
300 High Street/5th Floor  
Hamilton, OH 45012  
513 867-5216

Please have your monthly loan payment statement handy when you call First Financial Bank in order to provide the “full name on the computer file and the loan number”.

32. Can a House Corporation make prepayments on a loan? (Prepayments are payments which are applied to reduce the principal amount but do not interrupt making the normal monthly payment schedule dates or amount until the end of the loan.) Prepayments, often referred to as loan curtailment payments, result in an earlier payoff of a loan. If yes, explain the penalties for prepayments?

Yes, prepayments can be made at any time. There are no penalties or premiums associated with making prepayments. Further, since interest is only charged on the principal outstanding, prepayments will reduce the overall interest cost, speed up the loan pay-off, and save cash for the House Corporation.

We strongly recommended that you include a letter with the check payment and a copy of the most recent monthly statement explaining exactly how you wish the additional money assigned. Make it clear that you intend the prepayment assigned to reduce the principal, not as an advance payment for subsequent months. A misunderstanding could result in late fees.

Send letter and check to the regular processing address to assure proper processing:

Gayle E. Wyckoff  
Assistant Vice President/Trust Officer  
First Financial Bank  
300 High Street/5th Floor  
Hamilton, Ohio 45012
33. Can a House Corporation make advance payments for the months, such as during summer vacation, when the chapter house is closed and there is little or no cash flow? (Advance payments are normal monthly payment schedule amounts for future months sent to First Financial Bank early, which will be applied to the regular payment of interest and principal at later dates.)

Yes, many House Corporation make advance payments for periods when cash flow will be negligible. The advance payment data will be stored in the computer and applied to correct month as specified in your instruction letter.

We strongly recommend that you include a letter and a copy of the most recent monthly statement with the check payment explaining exactly the method that you wish the money assigned to subsequent month regular payments. Make it clear the money is not a prepayment assigned to a reduction of the principal. A misunderstanding could result in late payment fees.

Send letter and check to the regular processing address to assure proper processing:

Gayle E. Wyckoff  
Assistant Vice President  
Trust Officer  
First Financial Bank  
300 High Street, 5th Floor  
Hamilton, Ohio 45012

34. Can a House Corporation make a partial payment toward a normal monthly payment?

A partial payment or any payment other than the invoice payment amount is strongly discouraged. As with most computerized systems, the procedures are not in place to handle such a variation. A misunderstanding could result in late fees.

35. We have incurred late fees for not submitting some payments by the due date, which the House Corporation has not paid. What will happen to these late fees after the loan payments are completed?

Normally, the late fees are paid with the next regular payment on the loan. The fees will appear on your next bill document. If for any reason you believe a late fee is not justified please advise Gayle E. Wyckoff promptly or with your next payment.

In any event, the mortgage will not be released unless all late fees have been paid.
Date: ___________________ 20 _____

The undersigned __________________________________________________  ________________________
(complete and exact legal name of house corporation) (Tax ID Number)
of __________________________________________  at ___________________________________________
(name of chapter) (name of school)
hereby makes application for a loan of ________________________________________  dollars from
(not to exceed $200,000)
the Walter B. Palmer Foundation, Inc. for a term of ____________  years at _____________  interest,
(standard is 8%)
repayable at $ _____________________ per month or per quarter.
(please circle)

The purpose of this loan is (brief summary):

Said loan is to be secured by a (first or second) mortgage satisfactory to the Trustees of said Foundation
(please circle)
on property located at __________________________________________________________________
(address, city, state (or province) and zip code)
which premises are further described in Part II of this application.

Section 501 (c) (   )
House Corporation’s IRS Code  _________________________________
Section Qualification Number  _________________________________
(Signature for applicant, must be President or Treasurer)
(Name typed or printed)

MAIL TO:

Walter B. Palmer Foundation, Inc.
Phi Delta Theta General Headquarters
2 South Campus Avenue
Oxford, OH  45056-1872
513.523.6345
513.523.9200 FAX

(Signature of chapter president)
PART II - DESCRIPTION OF PROPERTY AND INSURANCE COVERAGE

A. LAND

_________ Ft. Front on __________________________ Side on _____________________________ Street
_________ Ft. Deep between _________________________________________________________ Streets
Pavement______  Curbing _______  Sewer_______ Water ______  Gas _______ Electric______  Oil_______
Parking lot size / Number of spaces ______________________ Surface of parking lot ____________________
Zoning____________________________________ Easements (Detrimental to value) ____________________

B. BUILDING (S)

(Type of construction and materials used)

Date built: ____________ Building exterior: _______________________ Windows:_____________________
Roof: ______________________________________  Foundation: ___________________________________
Number of stories:___________  Total number of rooms: _____________ Sleeping capacity: ______________
Finish of floors:_____________  Finish of interior walls and ceiling: __________________________________
Type of heating plant(s) and fuel:________________  Type of air conditioning and fuel: _________________

C. INSURANCE COVERAGE

(Attach copy of Certificate of Insurance if not in GHQ program)

1. Fire and property insurance: _______________________________________________________________
   (Current coverage)  (Attach copy of policy cover sheet)
2. Boiler insurance: ________________________________________________________________________
   (Current coverage)  (Attach copy of policy cover sheet)
3. Other insurance: ________________________________________________________________________
   (Current coverage)  (Attach copy of policy cover sheet)

D. OTHER INFORMATION

1. Does the House Corporation pay for all above insurance coverages?.... Yes_____  No _____
   If no, explain:
2. Is all insurance in force and all premiums paid?.................................  Yes _____  No _____
   If no, explain:
3. Has the House Corporation complied with General Headquarters requirements of property and liability
   insurance and furnished the certificate of insurance required by the Fraternity?
       Yes ____  No ____  If no, explain steps taken to correct deficiency.
NOTES:  A. Attach sufficient photograph(s) of premises to provide Trustees sufficient idea of condition of interior and exterior of chapter facility.
B. If new construction is proposed, a copy of the architect’s plans and specifications must be submitted.
C. Loans will only be made if International insurance requirements are met, the fire and property program has been evaluated by James R. Favor & Company, and all insurance payments are current.

PART III - INDEPENDENT APPRAISER’S REPORT

Date of appraisal: __________________ 20 _____

Value of land: ______________________ ft. @ $__________________ $ _______________
____________________ acres @ $__________________

Value of building(s): $ _____________________

Total Value: $ _____________________

Tax value of property: $ _____________________

Size of building(s) on foundation: ______________________________________

Condition of building(s):______________________________________________

Submit Appraiser’s comments and qualifications. A formal MAI appraisal generally will not be required where the loan requested is less than 20% of appraised value and total indebtedness will be less than 50% of appraised value. A knowledgeable Brother, say in real estate, may provide appraisal on firm’s letterhead if supplemented with copy of real estate tax valuation and copy of recent estate bill is attached.

ADVICE: Contact a Trustee before your house corporation incurs any costs for an appraisal.

REMARKS:

____________________________________
(Appraiser signature)

____________________________________
(Name typed or printed)
## Part IV - House Corporation - Present Financing

Indicate the date of information for present financing __________________

### As of Date

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>A. First Mortgage to:</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Name of Bank or Savings and Loan)</td>
<td></td>
</tr>
<tr>
<td>Interest Rate:</td>
<td>%</td>
<td>Maturity Date:</td>
</tr>
<tr>
<td>Payments of:</td>
<td>$</td>
<td>Monthly / Quarterly</td>
</tr>
<tr>
<td></td>
<td>(Please circle)</td>
<td></td>
</tr>
<tr>
<td>Do payments include interest?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Do payments include taxes and insurance?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>If yes, what amount?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are all payments current?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>If no, please explain.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| B. Second Mortgage to: | $ |   |
|   | (Name of Bank or Savings and Loan) |   |
| Interest Rate: | % | Maturity Date: |
| Payments of: | $ | Monthly / Quarterly |
|   | (Please circle) |   |
| Do payments include interest? | Yes | No |
| Do payments include taxes and insurance? | Yes | No |
| If yes, what amount? |   |
| Are all payments current? | Yes | No |
| If no, please explain. |   |

| C. Other Indebtedness to: | $ |   |
| Secured? | Yes | No |

Explain the terms, payment amount, security, guarantees, etc. and enclose a copy of the loan document.

Total Indebtedness: $
D. Pledged Contributions to Building Fund:

ALUMNI:

a) Total amount of binding signed pledges to building fund $ _____________
   (Number of pledges)

b) Uncollected pledges as of _______________________ $ _____________
   (Date) (Number of pledges)

c) Probable amount of uncollected pledges that will not be honored or collectible $ _____________

CHAPTER MEMBERS: (Exclude amounts included in dues unless passed directly to house corporation)

a) Total amount of binding signed pledges to building fund $ _____________
   (Number of pledges)

b) Uncollected pledges as of _______________________ $ _____________
   (Date) (Number of pledges)

c) Probable amount of uncollected pledges that will not be honored or collectible $ _____________
PART V - PROPOSED PLANS FOR PURCHASE, CONSTRUCTION, AND/OR IMPROVEMENT AND PROPOSED FINANCING PLANS

A. PROPOSED PLANS:

As of Date

Cost of building to be constructed or purchased: $___________
Cost of land to be purchased: $___________
Cost of improvements to be made: $___________
Cost of furniture and fixtures to be acquired: $___________
Cost of decorations to be undertaken: $___________

* Subtotal: $___________

Cash requested in this loan for payment of existing indebtedness (if applicable): $___________

TOTAL of all above items (i.e., the total additional to be financed): $___________

* Copies of signed “firm” estimates or quotes in support of amounts must be included with application.

B. METHOD OF FINANCING PROPOSED:

1. (Existing / New) **First Mortgage** to: $___________
   (Name of Bank or Savings and Loan)
   Interest Rate: %
   Maturity Date: __________
   Payments of: $___________ Monthly / Quarterly
   (Please circle)
   Do payments include interest? Yes _____ No _____
   Do payments include taxes and insurance? Yes _____ No _____
   If yes, what amount? __________

2. (Existing / New) **Second Mortgage** to: $___________
   (Name of Bank or Savings and Loan)
   Interest Rate: %
   Maturity Date: __________
   Payments of: $___________ Monthly / Quarterly
   (Please circle)
   Do payments include interest? Yes _____ No _____
   Do payments include taxes and insurance? Yes _____ No _____
3. Cash on hand to be used in program: ................................................................. $ __________

4. Pledged contributions expected to be collected: (Refer to amounts in Part IV, Section D) ...$ __________

5. Other sources of funds: ............................................................................................... $ __________
   Supplement with explanation, including rate, terms, payment amount, security, guarantees, etc. and enclose a copy of loan document(s).

   TOTAL: ........$ __________

NOTE: Approximate amounts - this is a guide.
Monthly payment for 8% loan per $1,000: 5 years - $20.28; 10 years - $12.14; 15 years - $9.56

PART VI - CHAPTER INFORMATION

<table>
<thead>
<tr>
<th>Actives:</th>
<th>Pledges:</th>
<th>Other:</th>
<th>TOTAL:</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

1. The average number of men in the chapter: __________

2. Charges to each member above during each school year - other than for room and board:

   ACTIVES: (Other charges - Please explain)

   Dues:  Social:  Building  Fund:  Rush:  TOTAL:
   $______  $______  $______  $______  $______  $______  $______

   PLEDGES:
   $______  $______  $______  $______  $______  $______  $______

3. Charges to each member residing in chapter house during each school year:
   (Other charges - Please explain)  Number of months per year: __________
   Room:  Board:  TOTAL:
   $______  $______  $______  $______  $______

4. Average number of members living in the house:
   (During school year)  (Summer)

   __________

5. Months for room/board charges in school year: __________ to __________

6. Number of members, if any, paying less than full rent. (Explain below or with a supplemental attachment)
7. Comparable dormitory fee(s) charged during school year: $ _________ $ _________ $ _________
   (Room) (Board) (Total)

8. Rates charged by rooming houses, apartments, etc., in vicinity - approximate average $ _________

9. Chapter Operations. Furnish “net profit from operations” for most recent three complete fiscal years:

   20___  20___  20___
   $ _________ $ _________ $ _________

10. Rental of chapter house from House Corporation:

    A. Annual rental amount charged to the chapter: $ _________ $ _________
        (Currently) (Proposed)

    B. Real Estate taxes. Paid by chapter? .................Yes _____ No _____ $ _________
        Are all payments current? .................Yes _____ No _____

    C. Utilities. Paid by chapter?.................................Yes _____ No _____ $ _________
        Are all payments current? .................Yes _____ No _____

    D. Are any chapter rental to house corporation in arrears?....Yes _____ No _____ $ _________
        If yes, what amount and explain corrective action. ........................................ $ _________

PART VII - REQUIRED ADDITIONAL INFORMATION

A. AUDITED FINANCIAL STATEMENTS

    Submit a copy of audited statements, including balance sheet, statement of income and expense,
    footnotes and accountant’s opinion for each of the preceding three fiscal years for:
    1. Active chapter (same as submitted to General Headquarters in Oxford, Ohio) and
    2. Chapter house corporation

B. CURRENT OPERATION FINANCIAL STATEMENTS

    Submit a copy of most recent statement of current operations (statement of income and expense) since
    date of last audit and most recent balance sheet for:
    1. Active chapter (same as submitted to General Headquarters in Oxford, Ohio) and
    2. Chapter house corporation

C. PROFORMA FINANCIAL STATEMENTS

    Submit an estimated or projected financial statement of operations (i.e. income and expense for at least
    the first complete annual period following completion of the proposed plans.

    Submit a projected financial statement must include the effect of proposed financing, cost, proposed
    changes in rental charges to active chapter for chapter house, changes in fees by active chapter and
    effect of other pertinent changes such as savings from utilities for insulation, increased real estate taxes,
    etc.
Submit a narrative explanation of assumptions including highlights of specific changes to be undertaken (e.g. raise monthly house rent from $2,000 to $2,500 and change rent charge from 9 month to 10 month charge. Chapter will raise monthly dues from $100 to $150.) Submit one for each:
   1. Active chapter and
   2. Chapter house corporation

D. FRATERNITY RISK MANAGEMENT SURVEY BY JAMES R. FAVOR & COMPANY

Submit a copy of the most recently completed loss control inspection survey. Be sure to include all evaluation supplements and narrative supplements. Include copy of any written response from house corporation/chapter to the inspection survey.

If no written response has been submitted, please explain. If no survey has been completed contact the Director of Risk Management and Housing, at General Headquarters. 513.523.6345 or 2 South Campus Avenue, Oxford, Ohio, 45056.

E. TAX INFORMATION

Provide a copy of the most recent tax return for the house corporation and any associated or affiliated fund such as scholarship, educational, or endowment.

F. REPAIR AND MAINTENANCE FUND INFORMATION (commonly referred to as the Building Fund)

Amount spent on Repairs and Maintenance for most recent three complete fiscal years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>20___</td>
<td>$_______</td>
</tr>
<tr>
<td>20___</td>
<td>$_______</td>
</tr>
<tr>
<td>20___</td>
<td>$_______</td>
</tr>
</tbody>
</table>

PART VIII - OTHER SUPPLEMENTAL INFORMATION

The following are NOT REQUIRED but can be influential to the Trustees in understanding the specific status of the chapter, particularly in unique circumstances:

A. Brief summary of recent history (3 or 4 years) of active chapter indicating trends in pledging, finances, number of members, housing cost compared to costs on campus or in vicinity, etc.

B. Brief summary of atmosphere or environment for Greek organizations on campus - Administration attitude or assistance, IFC, etc.

C. Comments concerning outlook for active chapter, alumni support, environment on campus, current or planned fund-raising activities, etc., which are not otherwise evident in the application.

D. Identify any awards received by the chapter in recent years from Phi Delta Theta or other sources.

The following are REQUIRED for these unique situations:

A. If the land and/or the house and land is leased from the university, enclose a copy of the lease agreement.

B. If there is another fraternity organization involved such as a scholarship, educational, or endowment fund, please submit the following:
1. A copy of the Articles of Incorporation and/or charter
2. A copy of the By-Laws
3. A copy of the tax qualification letter (if available) or pertinent correspondence on establishing tax deductible qualification
4. The Internal Revenue Code Section qualification number
5. A copy of the most recent financial statements

Please list the current House Corporation Officers including title, mailing address, and phone numbers.

A copy of the loan application should be submitted to the province president. This will afford him the opportunity to endorse the project and add any supplementary comments. The province president does not approve or disapprove the application.
LOAN APPLICATION FOR
FIRE PREVENTION AND LIFE SAFETY LOAN PROGRAM
WALTER B. PALMER FOUNDATION ENDOWMENT FUND
PHI DELTA THETA FRATERNITY

PART I REQUEST

The undersigned (complete and exact legal name of house corporation) (Tax ID Number)
of at (name of chapter) (name of school)
hereby make application for a loan of dollars from the Walter B. Palmer Foundation Endowment Fund for a term of years at 4% interest, repayable at $ per month - see interest factors on Part V.

The purpose of this loan is (brief summary):

Said loan is to be secured by promissory note satisfactory to the Trustees of said Foundation on property Located at (number and street or avenue address, city, state (or province) and zip code)
which premises are further described in Part II of this application.

Section 501 © ( )
House Corporation's IRS Code
Section Qualification Number

(Signature for Applicant, must be President or Treasurer)

(Name Typed or Printed)

MAIL TO:

PHI DELTA THETA HEADQUARTERS
2 SOUTH CAMPUS AVENUE
OXFORD, OH 45056
513-523-6345

(Officer Title or Position in House Corporation)

(Number and Street Address, City, State and Zip Code)

(Area Code, Phone Number)

(Signature of Chapter President)
PART II - INSURANCE COVERAGE

PROPERTY INSURANCE COVERAGE
(Attach copy of Certificate of Insurance if not in International program.)

Fire and Property Insurance ____________________________ (Current Coverage) (Attach copy of policy cover sheet)

Boiler and Machinery Insurance _________________________ (Current Coverage) (Attach copy of policy cover sheet)

Other Insurance _____________________________________ (Current Coverage) (Attach copy of policy cover sheet)

Does House Corporation pay for all above Insurance Coverage? Yes ___ No ___. If no, explain below.

Is all insurance in force and all premiums paid? Yes ____ No ___. If no, explain below.

Is there a payment plan with International Headquarters? Yes ___ No ___. If yes, how much is owed?

Are all payments current on payment plan? Yes __ No ___. If no, explain below.

Note: Loans will only be made if International insurance requirements are met, the property program has been evaluated by James R. Favor & Company and all insurance payments to GHQ are current.

PART III - HOUSE CORPORATION - PRESENT FINANCING

Indicate the date of information for present financing _______________ As of Date

(A) First Mortgage to ____________________________ $ ___________
   (Name of Bank or Savings and Loan)
   Interest Rate ____________ %
   (Monthly)
   (Quarterly) payments $ ___________
   Maturity Date ____________
   Do payments include interest? Yes ______ No ________
   Do payments include taxes, insurance? Yes ______ No ________ If yes, what amount ____________
   Are all payments current? Yes ___ No __

(B) Second Mortgage to ____________________________ $ __________
   (Name of Bank or Savings and Loan)
   Interest Rate ____________ %
   (Monthly)
   (Quarterly) payments $ __________
   Maturity Date ____________
   Do payments include interest? Yes ______ No ________
   Do payments include taxes, insurance? Yes ______ No ________ If yes, what amount ____________
   Are all payments current? Yes ___ No __
(C) Other Indebtedness to __________________________ (Secured? Yes____ No ___) $_______
(Explain terms, payment amount, security, guarantees, etc.)

<table>
<thead>
<tr>
<th>Cost</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>$_______</td>
<td></td>
</tr>
</tbody>
</table>

Total Indebtedness $_______

PART IV - PROPOSED PLANS FOR PURCHASE, INSTALLATION, OR RENOVATION OF FIRE, AND LIFE SAFETY FEATURES

PROPOSED PLANS (Description):

| Cost          | As of Date |
|---------------|--|---|
| $_______       |   |

--------------------------------------- $_______

Subtotal* $_______

Cash requested in this loan for payment of existing indebtedness (if applicable) $_______

Total of all above items (i.e., the total additional to be financed) $_______

*Copies of signed "firm" quotes or paid bills in support of above amounts must be included with application.

(B) METHODS OF FINANCING PROPOSED:

(Existing)

<table>
<thead>
<tr>
<th>Method</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promissory Note</td>
<td>$_______</td>
</tr>
</tbody>
</table>

(Walter B. Palmer Foundation, Name of Bank, or Savings and Loan)

<table>
<thead>
<tr>
<th>Method</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage</td>
<td>$_______</td>
</tr>
</tbody>
</table>

(Weathered Bank or Savings and Loan)

Note: Monthly payment for 4% loan per $1000: 1 yr. $85.15; 2 yrs. $43.42; 3 yrs $29.53

<table>
<thead>
<tr>
<th>Method</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand to be used in program</td>
<td>$_______</td>
</tr>
<tr>
<td>Pledged contributions expected to be collected</td>
<td>$_______</td>
</tr>
<tr>
<td>Other sources of funds (supplement with explanation, including rate, terms, security)</td>
<td>$_______</td>
</tr>
</tbody>
</table>

Note: Monthly payment for 4% loan per $1000: 1 yr. $85.15; 2 yrs. $43.42; 3 yrs $29.53
Minimum Annual Financial Statement Requirements

Default Clause in Loan

(Note: Failure to provide would be an event of default)

The House Corporation must provide to the Trustees audited or reviewed financial statements for the most recent two (2) fiscal years, in a consistent format for comparison purposes, together with footnotes and, if applicable, supporting schedules, within 120 days after the conclusion of the House Corporation’s fiscal year, such financial statements shall include, at a minimum, a balance sheet, statement of operations, statement of cash flow for each fiscal year; such audit or review will be conducted in accordance with the technical requirements promulgated by the American Institute of Certified Public Accountants; and the footnotes shall include, at a minimum:

(a) Legal organization structure and purpose
(b) The basis of presentation is accrual
(c) Depreciation methods and the useful lives for depreciating each of the major asset classifications
(d) Federal income tax status including Internal Revenue Code exemption code section
(e) Related parties transactions including lease revenue and including a summary of key provisions of the lease (such as a dollar amount per month for the months of _________ to __________) and confirmation if there is a signed or unsigned lease with the chapter and/or individual members.
(f) Summary of debt and key provisions for each debt instrument
(g) Summary of key provisions of lease obligations including the amount and method of calculating rent
(h) Pledged assets
(i) Contingencies and commitments

Note: Each set of financial statement shall also include financial data for the most recent prior fiscal year.

If financial information for historical cost or accumulated depreciation is lacking for land, land improvements, building and building improvements, equipment, furniture and fixtures, (leasehold improvements, if applicable), etc. contact the Director of Risk Management and Housing.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Organization
The Phi House Corporation (“Corporation”) is an alumni organization that has legal ownership of the fraternity house occupied by the Iowa Chapter of Phi Delta Theta at University located in Iowa. The Corporation is a non-profit organization formed to provide student housing for members of the chapter. The financial statements of the Corporation do not reflect any of the operations of the Iowa Chapter of Phi Delta Theta which is a separate accounting entity.

B. Basis of Accounting
The financial statements of Phi Chapter House Corporation have been prepared on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned, and expenditures are recognized when the obligation is incurred.

C. Depreciation
Property and equipment are recorded at cost or the appraised value at the time of donation. At the time an asset is sold or no longer or service, the cost and accumulated depreciation are removed from the accounts, and the difference between net book value and any proceeds received its recognized in income.

Depreciation is provided for using the straight-line method over the estimated useful lives of the asset with major structures having a useful life of 30 years, remodeling and structural components having a useful life of 10-15 years, and furniture and fixtures having a useful life of 10 years.

Expenditures for routine repairs and maintenance are expensed. Significant improvements or additions to property are capitalized at cost when paid. Renewable improvements which extend the useful life of an asset are capitalized.

D. Income Taxes
The Corporation is exempt from federal income taxes under Section 501 © 7 of the Internal Revenue Code. There are no differences between accounting methods for financial statements and tax returns. No provision for income taxes are required in either year.

NOTE 2 – RELATED PARTY
The Phi House Corporation leases the chapter house to the Iowa Chapter of Phi Delta Theta at University. The lease is unwritten, the amount of lease payments is negotiated annually and the lease is expected to be renewed indefinitely. For the fiscal years ended June 30, 2XXX, and 2XXX, the rent was $6,600 and $6,765, respectively, per school semester covering the nine months of September through May. In addition, building assessments of $15 per member per month during the nine months of September through May were receive during each year.
RISK MANAGEMENT, INSURANCE AND LIABILITY

Overview

Probably no other single issue or group of related issues have dominated the fraternity world during the past decade like the subjects of risk management, insurance and liability. Skyrocketing insurance premiums, staggering lawsuits, and a new attitude concerning acceptable behavior of both individuals and groups have brought these issues to the forefront of discussions among undergraduates, chapter advisers, house corporations, university/college officials and the General Fraternity. In addition to providing some general information on these topics, this section contains numerous exhibits which will be helpful to your house corporation.

Since the insurance policies maintained by the Fraternity may change from one year to the next, very few details about the specific policies in place have been provided in this section. For complete and current information on any of the insurance policies which may provide coverage for your house corporation, contact the Phi Delta Theta General Headquarters, 2 South Campus Avenue, Oxford, OH 45056, (513) 523-6345.

History of the Phi Delta Theta Insurance and Risk Management Program

During the early 1980’s, the General Council of Phi Delta Theta became increasingly concerned about the availability and quality of the insurance coverages for chapters and house corporation. A detailed, independent study of the insurance coverages in the Fraternity fore out the concerns of the General Council. The most worrisome information from this study indicated approximately 30% of all chapters and house corporations did not have any type of liability insurance. Furthermore, several of the larger chapter houses in the Fraternity were found to have little or no property insurance on the structure. After carefully reviewing all of the findings from the study, the Council elected to develop a comprehensive insurance program that would cover each and every chapter and house corporation.

Although the insurance program has been modified numerous times since its inception, the underlying premise of the program has remained unchanged. That premise is to secure and provide the absolute best coverage available at a competitive price. As mentioned earlier, the specific terms of coverage may vary from one year to the next so only general information on existing coverage is provided below:

General Terms of Coverage:

**Liability Insurance** – Consists of both primary and umbrella liability insurance policies. Participation in the liability portion of the insurance program is mandatory for every chapter of the Fraternity. The annual premium is prorated among all chapters based upon an allocation formula. The formula allocates a higher or lower portion of the premium to chapters based upon their past performance.

**Property Insurance** – The property insurance coverage is optional for those chapters with real property. Although participation is this part of the program is optional, approximately 70% of all
chapters and house corporations choose to participate. The premium for each property is based solely on the specific location. The program does provide for full replacement cost and has many other features not generally available in other property insurance policies.

Bonding Coverage – Every chapter and house corporation is covered under the Fraternity fidelity bond coverage. There are generally some conditions which must be followed before the coverage will apply or ultimately pay a loss.

Description of Exhibits:

Exhibit A – Risk Management Policies – A current copy of the policies as approved by the General Council is provided. A slightly modified set of policies does apply to the Canadian chapters and those policies are also available through the general headquarters.

Exhibit B – Chapter Crisis Management Plan – A relatively simple plan developed to aid a chapter in the event of an emergency on Fraternity property or at a Phi Delta Theta Event.

Exhibit C – Claims Procedures – Information developed by the Fraternity insurance broker, James R. Favor & Co., on the reporting and follow-up procedures on claims.

Exhibit D – Loss Control Topics – Information developed by the Fraternity insurance broker, James R. Favor & Co., which addresses loss prevention primarily from a fire prevention and life safety perspective.

Exhibit E – Event Planning Forms – These forms, introduced to our chapters in 1995, have been developed to assist chapters in planning safer functions.

Exhibit F – Liability and Legal Affairs Article – This article written by Dave Westol, a member of Theta Chi Fraternity, provides a very good summary on liability and legal affairs.
How to Work with the Media in a Crisis

The first public relations step to take when a media-covered crisis occurs is to call Phi Delta Theta General Headquarters. During business hours (8am to 5pm eastern standard time) call (513) 523-6345 or call the crisis management help line at (888) 219-3791 after the office has closed or on the weekends. The GHQ staff will assist you in dealing with the media or may even relieve you of the responsibility and speak to the media directly on your behalf.

The media is not out to get you. A reporter’s primary job is to report the full story. Be polite and responsive when questioned. This is the best way to get balanced reporting of the situation. Limit your answers to the facts you know.

**Remember: nothing is off the record.** If you tell anything of importance, they will probably use it, on the record or off.

One person, usually the chapter president until he is relieved by someone of higher authority, should officially comment on any type of crisis. The appointed spokesman should have as many of the facts as possible in a reasonable amount of time before speaking to the press, and he should avoid commenting on a situation that is unclear. Do not volunteer information. Do not answer with information about which you do not have personal knowledge. Always speak clearly, use proper English, and avoid slang.

**Dealing with the Media**

- Be honest….be factual….be prompt!
- If you do not know the facts, don’t speculate. Say that you will get the information promptly.
- Release bad news in a timely manner.
- Avoid responding with “No comment.” “I don’t have that information” or “I can’t answer that at this point” are examples of preferred replies.
- Answer only the questions asked.
- Avoid getting frustrated or mad.
- Stay cooperative and united.
- Do not repeat negative questions or phrases.
- Recognize and do not reply to trick questions.
- **Remember: Nothing is off the record!**

**Television and Radio Interviews**

- Use word pictures, anecdotes, and examples that are strictly applicable and accurate.
- Make key (most important) points first, simply and accurately.
- Repeat crucial information.
- Keep a calm voice, even when challenged.
- Use appropriate language and avoid sarcasm, slang, or crutch phrases.
- Avoid nervous laughter.
- Speak for the organization, not from a personal point of view.
- Correct inaccurate statements.
- Face the interviewer; concentrate on talking with him/her, not the camera. Listen, so that responses will be accurate and appropriate.
- Remember microphones are very sensitive and will pick up any noise or side comments.
Crisis Management and Public Relations

Crisis management is much more than just stopping or avoiding a crisis. Crisis management is also crisis prevention, planning for a crisis, and damage control (public relations work dealing with the media after a crisis occurs). Public relations is the one aspect of crisis management that is often ignored.

Having a good reputation and an ongoing relationship with all of your publics (neighbors, local authorities, or university officials) before an unfortunate occurrence will benefit the chapter in handling a crisis.

If your chapter has appositive reputation among university administrators, the administration will likely be more willing to help your chapter recover from a crisis. If other students feel positive about your chapter, they will be less likely to speak badly of you after a crisis.

When positive relationships have not been established, addressing a crisis will be more difficult. This points to the urgent need to have a crisis management public relations plan.

In Case of Serious Injury or Death:

1. Notify the authorities immediately (Dial 911).
2. Call the Phi Delta Theta crisis management help-line at 1-888-219-3791.
3. Follow the Phi Delta Theta crisis management plan.
4. Allow only authorized personnel in the room or chapter facility. (Keep the door locked until authorities arrive.)
5. Allow a professional to notify the relatives. After approval from the university officials and the General Headquarters, the chapter president or chapter advisory board chairman should call the parents to express the chapter’s concern.
6. Assist in the coordination of the hospital visitation or funeral/memorial attendance if asked.
7. Do not move anything in the room until instructed by parents or police. After the incident is over, ask the parents what they wish to be done with possessions (in event of a member’s death or leaving school). Every effort should be made to help gather the member’s possessions if the parents make such a request.
Reporting an Incident or Crisis

In order to help you understand what needs to be reported and how to go about reporting it, we have compiled a short list of important ideas to use as general guidelines. Chapter members have a responsibility to promptly report all incidents that could result in an insurance claim. Prompt reporting often can prevent minor incidents from developing into major problems.

Remember, DO NOT admit liability or responsibility for any occurrence or accident. In general, liability claims are a result or conditions on your premises and/or general operations that are likely to involve someone other than members, employees, or officers.

WHAT DO I REPORT?
- Any incident that caused or contributed to an injury or death.
- Any demand for compensation, whether verbal or written.
- Any lawsuits or subpoenas served on you or your chapter by an officer of the court.
- Any contacts by an attorney or investigator asking about an occurrence that happened at the chapter facility or that involved chapter members.
- While on the scene of the accident or occurrence get names, addresses, and telephone numbers of all parties involved and of all witnesses.

WHAT DO I DO AFTER I REPORT?
- Do not admit responsibility or liability in any accident or occurrence.
- NEVER discuss an incident with an attorney or investigator without clearance from General Headquarters or James R. Favor & Company.
- Appoint one spokesman (usually the chapter president) to handle any questions from outsiders about the occurrence.
- Instruct the chapter members not to discuss the incident with anyone outside the Fraternity.
- Within 48 hours, submit a detailed written narrative to General Headquarters, with as much information as possible including witnesses, circumstances leading to the occurrence, whether alcohol was involved and if it was a chapter-sponsored event. See the Crisis Occurrence Form.
- Continue constant communication with General Headquarters and James R. Favor & Company.

WHAT CAN I DO TO PROTECT MY CHAPTER, MY FRATERNITY, AND MYSELF?
- Use common sense and good judgment.
- Fee free to contact General Headquarters and/or James R. Favor & Company with any questions.
- Report all the facts as they happened. Do not attempt to hide or alter the facts no matter how damaging they may seem. Investigations are based on the facts as reported.
The Event Planning Program (EPP) was created to provide better risk management communication with chapter and colony officers and alumni volunteers, as well as providing educational information on how to plan safe social events. The General Council and the General Headquarters (GHQ) Staff are hopeful that each chapter and colony will adopt this program as a standard of operation when planning social events. The EPP is now mandatory. If an event meets one or more of the criteria below the EPP forms must be submitted, in a timely fashion, to GHQ. This program has already been implemented as a requirement to be eligible for the Gold Star Award. This program will help prevent claims and lower the cost of claims associated with liability insurance. In turn, lowered costs for our insurance underwriters will result in lower insurance premiums – a goal we all wish to attain!

Please read and review the Event Planning Program information and all appendices in their entirety. Make a special note of the event planning form criteria, which determine which parts of the form must be completed, and whether or not the form needs to be sent to GHQ, or simply kept in your permanent chapter files.

**Event Planning Form Criteria**

1. Alcohol will be present.
2. Attendance will be in excess of 3 times the chapter membership (including chapter members).
3. The event is equal to or greater than 10 miles from the chapter facility or university campus.
4. A contract(s) must be signed with an outside company or group (including IFC and/or university/college).
5. The event is co-sponsored by another fraternity/sorority.
   (Commonly referred to as two-ways, three-ways, etc.). “Co-sponsored” can be defined in many ways. However, for the purposes of this program, a base definition is any event where another fraternity/sorority takes part in the planning, organizing, advertising, funding, operating, or monitoring of an event. This definition is not all inclusive, and any questions regarding this specific criterion should be directed to the Director of Risk Management and Housing, at GHQ.

If any one of the above criteria is met, an Event Planning Form must be completed. It may be submitted online, faxed, or mailed to General Headquarters no later than thirty (30) days prior to the event. This is an adequate time frame to allow proper response and adjustment of event plans. If none of the criteria are met, the chapter must complete and file an Event Planning Form for review by your traveling leadership consultant from GHQ.

General Headquarters and the General Council would greatly appreciate any feedback and constructive criticism of the Event Planning Program. Consistent evaluation combined with strong participation will make this program effective and will help to lower insurance costs. If you have any questions or comments, feel free to contact the Director of Risk Management and Housing, or the Assistant to the Director of Risk Management, at Phi Delta Theta General Headquarters.
Common Questions about the Event Planning Program

1. What benefits do those chapters who participate in the Event Planning Program receive?

The Event Planning Program is mandatory for all chapters and colonies, however, those groups who excel with the implementation and execution of this program will receive a reduction on their next years liability insurance bill. The following criteria will be used when figuring the potential credits for the chapter’s liability premium.

Criteria used when deciding amount of potential credit:
1. Submission of a social calendar
2. Number of event planning forms submitted compared to those events on your social calendar.
3. Number of event planning forms approved.

2. Who determines whether each of my event planning forms is “supported?”

The Director of Risk Management will determine whether or not a form/event is “supported.” The following conditions will be required to ensure a form/event is “supported”:

Complete: The form is submitted with all questions answered and signatures obtained. If the original form is missing information subsequently provided and approved at least 48 hours in advance of the event, this condition will be satisfied.

Consistent: A form is submitted for at least 75% of all applicable events on the social calendar.

Cooperative: Responsible individuals work diligently with GHQ to meet any and all recommendations prior to the event date.

Timely: The form is received by GHQ at least 30 days in advance of the event.

3. How do I ensure EPP is utilized by my chapter?

1. Read and review this memorandum, the Event Planning Form, and all related attachments. If you have further questions, contact the Director of Risk Management and Housing at GHQ -- (513) 523-6345.

2. Mail or FAX a completed social calendar for the entire semester/quarter with your first Event Planning Form to GHQ. This item is often overlooked and will affect the amount of credit given to your chapter! The GHQ fax number is (513) 523-9200.

3. The member and alumnus listed as responsible individuals, as well as the Greek Advisor and/or IFC representative (if applicable) may be contacted to verify the social calendar.

4. An Event Planning Response Form stating the event is either “accepted” or “rejected” will be mailed or e-mailed to the chapter, CABC and Province President prior to your scheduled event. If additional information or clarification is required, an e-mail request may be sent to the contact you list on the Event Planning Form submitted.
5. Is a social calendar mandatory? How about chapter advisory board chairman, Greek advisor, or IFC approval?

Yes, a social calendar is mandatory. The purpose of this program is to help educate chapter and/or colony members on how to effectively plan social events. A social calendar is a prerequisite for any social program, much like a budget is a prerequisite for any treasury program. Further, the local alumni, the university/college, and your peers should know that a social calendar is in place and events are being properly planned.

Depending upon your group’s specific situation, chapter advisory board chairman, Greek adviser, and/or IFC approval may not be applicable (contact the Director of Risk Management at GHQ for guidance). However, if you are unwilling to provide social planning information to any of these constituents, it may be a sign of questionable activities. If your chapter is already providing such information to the above named parties, good job! Your group is one step ahead of the game!

6. What about events that are already scheduled for late August and September?

We realize that you will not have adequate time to send GHQ the event planning forms 30 days in advance for events scheduled in August and early September. Therefore, GHQ will begin keeping track of event forms starting the third week in September. However, the Director of Risk Management is available to help you prepare for events scheduled in August and early September, regardless of this timeline. Further, those chapters who get on board right away will be given credit for properly planned events prior to the September deadline. Starting the third week of September, the 30-day advance notice will become mandatory for all forms/events or the third week of October for those campuses on the quarter system.

7. How do we, as a chapter or colony, follow-up with the Event Planning Response Form received from GHQ?

It is the responsibility of the chapter or colony to fulfill all recommendations and provide written evidence of fulfilled recommendations and event plan changes to General Headquarters according to the date listed on the response form. At a minimum, any further changes you make to the event need to be made at least 48 hours in advance of the event date.

8. What happens if we do not fulfill GHQ’s timeline and/or recommendations and conduct the event regardless?

The chapter or colony will not receive any credit for submitting the Event Planning Form, and may incur liability insurance premium increases, province president action, or General Council action as a result of conducting an event not in accordance with Phi Delta Theta Fraternity Policy.

9. How do we get more Event Planning Forms?

The form included in this packet is your master copy. Make copies of this form and keep this original in your permanent chapter files. The Event Planning Form is also available on the Phi Delta Theta Fraternity Home Page on the world wide web (www.phideltatheta.org) under the Resource section. You may also contact the Director of Risk Management or his assistant at General Headquarters to request additional forms.
10. **Who do I contact at Phi Delta Theta General Headquarters if I need event planning resources or help completing forms and/or recommendations?**

   Director of Risk Management & Housing
   ☏ (513) 523-6345, Ext. 240
   FAX (513) 523-9200

   Assistant to the Director of Risk Management
   ☏ (513) 523-6345, Ext. 225
   FAX (513) 523-9200

11. **What is the history of this program?**

    This Event Planning Program was adopted in 1995 from our insurance broker, James R. Favor & Company, who has had proven success with similar forms over the past 9 years in working with several sororities and fraternities. Specifically, Lambda Chi Alpha Fraternity (200+ chapters) has been using such a system for more than 8 years and has experienced a tremendous decrease of large claims and lawsuits filed, resulting in reduced insurance costs. After extensive consultation with the above named groups and legal counsel, Phi Delta Theta Fraternity created this system which will help educate undergraduate chapters on the proper procedures for event planning.
APPENDIX II

BARTENDING SERVICES

Sample Document Only

INDEPENDENT CONTRACTOR AGREEMENT

AGREEMENT made this ____ day of ____________________, 20____ between
_______________________________________ Chapter of Phi Delta Theta Fraternity (“PDT”),
a non-profit association, and ______________________________________ (“Contractor”).

1. Duties.

A. Contractor is hereby engaged to provide the following bartending services during the
PDT function described on Exhibit A to this Agreement: (1) follow measures to
ensure that only persons of legal drinking age are served alcoholic beverages; (2)
exercise discretion in serving alcoholic beverages to PDT members and guests and
refuse to serve alcoholic beverage to any PDT member or guest if the Contractor
believes that such PDT member or guest is acting in a manner that could be
detrimental to either the member or guest, PDT or other persons; and (3) comply with
the Rules (as defined below).

B. Contractor warrants and represents that all bartenders provided by Contractor: (1) are
TIPS certified; (2) are familiar with all state, local, university and Phi Delta Theta
Fraternity laws, regulations, policies and guidelines (including any campus “BYOB”
policy) applicable to the serving of alcohol at the PDT function (the “Rules”); (3) will
perform their duties in accordance with the Rules; and (4) will not consume or use
illegal substances or alcoholic beverages while performing their duties.

C. Nothing contained in this Agreement or otherwise shall be construed to constitute
Contractor as an employee or agent of PDT, it being intended that contractor is an
independent contractor solely responsible for the actions of Contractor and
Contractor’s employees and agents.

2. Compensation. Contractor will be paid upon a per-job basis in accordance with Exhibit A
and will solely responsible for paying Contractor’s employees and agents.

3. Indemnification/Insurance. The Contractor shall indemnify and hold harmless PDT, Phi
Delta Theta Fraternity and their members, officers and agents from liability for any claim
arising out of injuries or damages caused by any act or omission of the Contractors or
Contractor’s employees or agents. Contractor shall be required to carry liability insurance
and provide a certificate of insurance unless waived in writing. With respect to any other
insurance coverage which may be available to PDT, Contractor’s insurance shall be primary
and not contributory or excess.
4. **Miscellaneous.** This Agreement (including Exhibits) contains the entire agreement between the parties, and no amendments, changes, additions, or qualifications may be made or will be binding unless made in writing signed by both parties.

IN WITNESS WHEREOF, PDT and Contractor have signed this Agreement to be effective as of the date set forth above.

________________________________________
Chapter of Phi Delta Theta Fraternity

By _____________________________________

Title ___________________________________

________________________________________
Contractor

By _____________________________________

Title ___________________________________
EXHIBIT A

BARTENDING SERVICES

Sample Document Only

1. PDT function

Date: ____________________________________________________________
Place: ____________________________________________________________
Hours: ____________________________________________________________
Description: _______________________________________________________
__________________________________________________________________

2. Compensation

No. of bartenders: _________________________________________________
Hourly rate or other fee: ___________________________________________
__________________________________________________________________
Payment terms: ____________________________________________________
__________________________________________________________________
APPENDIX III

Sample Document Only

Phi Delta Theta Fraternity

____________________ Chapter
Phi Delta Theta Fraternity

DESIGNATED DRIVER STATEMENT

CHAPTER EVENT _____________________________________________________________

EVENT DATE _________________________________________________________________

DESIGNATED DRIVER NAME___________________________________________________

STATE AND DRIVERS LICENSE NUMBER________________________________________

INSURANCE COMPANY NAME _________________________________________________

STATE & CAR REGISTRATION NUMBER_________________________________________

I wish to serve as a designated driver for a chapter event. I understand that if selected, I agree to abide by the following requirements:

1) I am a licensed driver and will be the only operator of my vehicle.
2) I have automobile liability and collision insurance.
3) My vehicle is in safe working order.
4) I will drive in a safe manner and obey all traffic laws.
5) I will not consume alcohol on the date of the event for which I am a designated driver.
6) I will not transport any alcohol, controlled or illegal substances in my vehicle.
7) I will require that all passengers wear a seat belt, and will not transport more passengers than there are working seat belts in my vehicle.
8) I will go directly to and from the event without stopping enroute.
9) I will abide by all Fraternity and chapter policies and state laws.
10) I understand that the Fraternity does not provide any insurance to cover my participation in this program and that in the event of any accident my only source of insurance protection is my own automobile insurance.

I will be solely responsible for the operation of my vehicle, and I release the Fraternity, the chapter and their officers, employees and agents, from liability for any personal injury or property damage arising out of the operation of my vehicle.

Signature ________________________________ Date ______________________

Designated Driver
FACILITIES AGREEMENT

AGREEMENT made this ____ day of ____________________, 20____ between __________________________________________ Chapter of Phi Delta Theta Fraternity (“PDT”), a non-profit association, and _________________________________ (“Contractor”).

1. **Facilities.** Contractor hereby rents to PDT the ____________________________________________
________________________________________________________________________________________
__________________________ (the “Facilities”) for a PDT function on the following terms:

   A. Date: _________________________________________________________

   B. Hours: _________________________________________________________

   C. Rate or fee: _____________________________________________________

   D. Payment terms: _______________________________________________

2. **Services.** Contractor hereby agrees to provide to PDT the following services at the function described above:

   A. Food Service

      1) Description: ______________________________________________

      2) Rate or fee: _______________________________________________

      3) Payment terms: ____________________________________________

   B. Bar Service

      1) Description: ______________________________________________

      2) Serving of alcoholic beverages to cease one hour before scheduled end of function.

      3) Rate or fee: _______________________________________________

      4) Payment terms: ____________________________________________
C. Security Service

1) Description: ________________________________

2) Rate or fee: ________________________________

3) Payment terms: ________________________________

D. Other

1) Description: ________________________________

2) Rate or fee: ________________________________

3) Payment terms: ________________________________

3. Further Agreements.

A. Contractor warrants and represents that all personnel provided by Contractor (1) have received training appropriate to the PDT function, (2) are familiar with all state, local, university and Phi Delta Theta Fraternity laws, regulations, policies and guidelines applicable to the PDT function (the “Rules”), (3) will perform their duties in accordance with the Rules, (4) will not consume or use illegal substances or alcoholic beverages while performing their duties and (5) will not possess firearms while performing their duties.

B. Nothing contained in this Agreement or otherwise shall be construed to constitute Contractor as an employee or agent of PDT, it being intended that Contractor is an independent contractor solely responsible for the actions of Contractor and Contractor’s employees and agent.

C. Contractor shall indemnify and hold harmless PDT, Phi Delta Theta Fraternity and their members, officers and agents from liability for any claim arising out of injuries or damages caused by any act or omission of the Contractor or Contractor’s employees or agents. Contractor represents and warrants that it carries liability insurance covering such indemnity obligation and agrees to provide a certificate of insurance. Contractor’s insurance shall provide that, with respect to any other insurance coverage which may be available to PDT, Contractor’s coverage shall be primary and not contributor or excess.

D. This Agreement contains the entire agreement between the parties, and no amendments, changes, additions, or qualifications may be made or will be binding unless made in writing signed by both parties.

IN WITNESS WHEREOF, PDT and Contractor have signed this Agreement to be effective as of the date set forth above.

_______________________________    ________________________________  Chapter
Contractor     Phi Delta Theta Fraternity

By ____________________________  By _____________________________
Title __________________________  Title ____________________________
APPENDIX V
SECURITY SERVICES

Sample Document Only

INDEPENDENT CONTRACTOR AGREEMENT

AGREEMENT made this ___ day of ____________________, 20____ between
_______________________________________ Chapter of Phi Delta Theta Fraternity (“PDT”),
a non-profit association, and ________________________________ (“Contractor”).

1. Duties.

A. Contractor is hereby engaged by PDT to provide the following security services
during the PDT function described on Exhibit A to this Agreement: (1) check
identification of PDT members and guests; (2) ensure that only persons of legal
drinking age are allowed to purchase and consume alcoholic beverages; (3) take
reasonable steps to maintain crowd control, prevent disorderly or offensive conduct
and enforce the Rules (as defined below); and (4) take reasonable steps to prevent
substance abuse by members and guests, including (i) preventing an obviously
intoxicated individual from purchasing or consuming alcoholic beverages and (ii)
peaceably and without the use of force removing disruptive and/or intoxicated
individuals from the immediate premises.

B. Contractor warrants and represents that all security personnel provided by Contractor
(1) are trained in security procedures appropriate to the PDT function, (2) are familiar
with all state, local, university and Phi Delta Theta Fraternity laws, regulations,
policies and guidelines applicable to the PDT function (the “Rules”), (3) will perform
their duties in accordance with the Rules, (4) will not consume or use illegal
substances or alcoholic beverages while performing their duties and (5) will not
possess firearms while performing their duties.

C. Nothing contained in this Agreement or otherwise shall be construed to constitute
Contractor as an employee or agent of PDT, it being intended that Contractor is an
independent contractor solely responsible for the actions of Contractor and
Contractor’s employees and agents.

2. Compensation. Contractor will be paid upon a per-job basis in accordance with Exhibit A
and will be solely responsible for paying Contractor’s employees and agents.

3. Indemnification/Insurance. Contractor shall indemnify and hold harmless PDT, Phi Delta
Theta Fraternity and their members, officers and agents from liability for any claim arising
out of injuries or damages caused by an act or omission of the Contractor or Contractor’s
employees or agents. Contractor shall be required to carry liability insurance and to provide
a certificate of insurance unless waived in writing. With respect to any other insurance
coverage which may be available to PDT, Contractor’s insurance shall be primary and not
contributory or excess.
4. **Miscellaneous.** This Agreement (including Exhibits) contains the entire agreement between the parties, and no amendments, changes, additions, or qualifications may be made or will be binding unless made in writing signed by both parties.

IN WITNESS WHEREOF, PDT and Contractor have signed this Agreement to be effective as of the date set forth above.

________________________________________
Chapter of Phi Delta Theta Fraternity

By ________________________________

Title ________________________________

________________________________________
Contractor

By ________________________________

Title ________________________________
1. PDT Function

   Date: _____________________________________________________________

   Place: ____________________________________________________________

   Hours: ____________________________________________________________

   Description: _______________________________________________________ 

   __________________________________________________________________

2. Compensation

   No. of security officers: _____________________________________________

   Hourly rate or other fee: ____________________________________________

   __________________________________________________________________

   Payment terms: _____________________________________________________

   __________________________________________________________________
CHAPTER HOUSE FLOOR PLANS

Chapter housing requirements vary from campus to campus. Consequently, the size, shape, and architectural style of Phi Delta Theta chapter houses range from single room meeting lodges to immense structures which may house over 100 members. A number of chapters are even housed entirely in university or college facilities, so they have no property of their own.

For those house corporations which are planning major renovations or the construction of a completely new chapter house, a sampling of floor plans developed by various other chapters and/or house corporations is provided in this section.
FRATERNAL LAW

Fraternal Law is published four times a year by Manley, Burke Fischer & Lipton, a legal professional association. Robert Manley states, “The purpose of Fraternal Law is to enable fraternity leaders to become better managers by introducing them to the guidelines which can help them anticipate potential trouble areas. With an awareness of the possible problems, fraternity leaders can plan ahead to deal with and minimize, or perhaps even avoid, legal catastrophe.”

The General Fraternity has purchased a bulk subscription to this publication. The subscription does provide one copy for each house corporation. There should be ample room in this section to place future issues that the house corporation receives.
II – An Overview Of Phi Delta Theta

This section will briefly review the organizational structure of Phi Delta Theta, as well as highlight the operations and services of General Headquarters.

A. Structure of Phi Delta Theta

1. Constitution and General Statutes

   The Constitution and General Statutes are the guidelines of the Fraternity and are referred to as The Code. Each chapter should have two copies of The Code. The Constitution may be amended only by a three-fourths vote of any two successive General Conventions. The General Statutes may be amended only by a three-fourths vote of any General Convention.
B. Programs Of Assistance To Chapters

1. General Headquarters Staff

The Executive Officers, Chapter Consultants, and Secretarial Staff are employed by the General Fraternity to serve the chapters on a day-to-day basis. Through correspondence with Headquarters, further assistance can be given to specific concerns.

2. Chapter Consultants

Chapter Consultants are recently graduated Phis who are employed by the General Headquarters to visit chapters of Phi Delta Theta during the school year. Consultants spend about three days at each chapter, during which time they counsel individual officers, attend a chapter and Phikeia meeting, and meet with the Chapter Adviser and the school Greek Advisor. A Chapter Consultant is dedicated to helping chapter officers, but can only do so if the chapter members are candid and open with him. During his term of employment, a Consultant will visit over 100 chapters, thus, being a valuable resource to use.

3. Leadership College

Held during the summer months, each chapter is urged to send delegates and a Chapter Adviser to the College, which is designed to provide leadership training and workshops for officers and advisers.

4. General Headquarters Supplies and Materials

Numerous supplies are offered by Headquarters. A list of these is shown in the Appendix. Two major shipments of chapter supplies are sent during the school year – one is early fall and one in the spring.

5. The Scroll

*The Scroll*, the magazine of Phi Delta Theta, maintains continuous communication between all members of the Fraternity. Chapters can use *The Scroll* to provide information to alumni.
THE RELATIONSHIP OF THE HOUSE CORPORATION TO THE GENERAL FRATERNITY

House corporations, as a general rule, have always acted and been treated as totally autonomous organizations within the Fraternity. However, the powers and duties of the house corporation, as governed by their Articles of Incorporation and Bylaws, should be in concert with the General Fraternity’s Constitution and General Statutes.

Title IX, Sections 95 through 101 of the General Statutes pertain to house corporations and chapter houses. Those sections are printed below.

95. **Chapter House Corporations.** No chapter shall become incorporated, but an association connected with a chapter but controlled by alumni of the Fraternity may be incorporated under applicable state, provincial or federal laws for the purpose of owning property for the benefit of the chapter, subject to the following conditions: (1) neither the name of the Fraternity nor the title given by the Fraternity to the chapter shall be used as the legal name of the corporation; (2) the chapter president and such other member of the active chapter as the said chapter may designate shall be voting members of the corporate board; and (3) the corporate charter and bylaws may contain provisions that in the event the charter of such local chapter is suspended or revoked, all assets will be preserved for the purpose of the chapter for a reasonable period of time and in a reasonable manner. Such provisions may, but need not necessarily or exclusively, contain provisions directing that in the event the charter of such local chapter is revoked, all assets of such corporation shall thereupon be transferred to the trustees of the Walter B. Palmer Foundation Endowment Fund, in trust, for the following uses and purposes: the property may be held or sold at the sole discretion of the said trustees, provided that the said trustees shall have first make all reasonable effort to consult with the local house corporation. The trustees shall, if sufficient trust funds are available, first pay any outstanding liabilities of the chapter and the corporation which remain unpaid at the time the assets are transferred to the trustees. If the said chapter is reactivated within a period of twenty years from the date of the commencement of the trust, the trust shall terminate and the proceeds, less prorated expenses for operating the Walter B. Palmer Foundation Endowment Trust during the life of the trust shall be distributed to a not-for-profit corporation which shall be organized for the same purposes as the corporation was organized. In the event that the said chapter is not reactivated within said term of twenty years, then at the end of said term, the trust shall terminate and the proceeds shall be distributed to the Phi Delta Theta Educational Foundation of Cleveland, Ohio (76)

96. **House Corporation Records.** The Trustees or officers of chapter house corporations shall keep appropriate records and books of account and an annual audit of same shall be furnished the active chapter, the General Council and the Palmer Endowment Fund in the event the house corporation is indebted to said fund.

97. **Chapter House.** Every chapter shall have the right to rent either from its own chapter house corporation, or other lessor, a house for its members to live in.
98. **House Rules.** Every chapter occupying a chapter house must adopt strict rules for the government thereof, which are consistent with the Fraternity’s Risk Management Policies, and shall, among other things, prohibit all forms of vice in the chapter; and which shall prohibit the use of presence of intoxicating liquors and all gambling in the chapter house where such use or presence is contrary to the rules and regulations of the college or university where the chapter is established. The use or presence of hallucinatory drugs or marijuana in any form is prohibited.

These house rules shall promote maintenance therein of a good moral atmosphere and provide for the preservation of good order and for the establishment of fixed and regular hours of study, adequate for the scholastic needs of its members. A printed or typewritten copy of the house rules shall be posted in the chapter house. (94)

99. **House Occupancy.** During occupancy of the chapter house by the chapter as such, rooms may not be rented to anyone except members and Phikeias of the chapter who are enrolled as students in the college, except upon written permission of the Province President and Chapter Adviser.

100. **Pledged Men in Houses.** Pledged men may live in the house for a period not to exceed one year preceding their initiation, provided that they be always carefully excluded from the ritualistic portion of the chapter meeting. (76)

101. **Removal of Alumni or Phikeias.** The Province President shall have the authority to remove any alumnus or Phikeia from the house or property for cause, and such act of the Province President shall be final.” (92)

The General Fraternity and the General Headquarters staff provide a wide variety of services and support to the undergraduate chapters. Many of these support services are also available to the house corporation. To help the house corporation become more aware of these services, section of the Chapter President’s Manual have been reproduced. This section provides an overview of Phi Delta Theta and a description of some of the resources available.