



# The Sig House

A Quarterly Newsletter from the Board of Grand Trustees - Spring 2006

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## The Business of Brotherhood

Student housing is big business. Not only are today's students more demanding of a quality living environment, universities are spending tremendous amounts of money to attract them to live on campus. In the neighborhood of \$18.3 million per facility, or nearly \$45,000 is spent per resident. Gone are the days of the utilitarian, sterile dormitories; instead, colleges are building stylish facilities and providing programming designed to bolster the feeling of a close-knit learning community.

Therefore, it is more important than ever for fraternity chapters to be supported by well-organized and functioning house corporations to provide leadership and a properly maintained facility. Specifically, there are two key areas of focus for a successful housing corporation:

**1. Facility management.** Far too many corporations leave the management of the chapter house up to the residents. This scenario often causes two issues. First, this places the responsibility of maintaining the fraternity's most valuable asset in the hands of very inexperienced and poorly trained individuals. Secondly, the constant turnover of the position lends a short-term perspective to facility maintenance matters and allows the standards to which the facility is kept to vary from year to year.

The house corporation must take responsibility for maintaining the facility, either through alumni volunteers, or by hiring a property manager. Make sure the facility is professionally cleaned at least once per year. Regularly assess the facility, and

schedule and perform maintenance and repairs. Assume the responsibility of check-in and check-out procedures. Similar to the residence halls and apartment complexes, undergraduate members should be expected to leave the facility in "move-in" condition, with financial assessments made to their damage deposit if not reasonably kept.

Chapter houses are not only living and learning centers, but they are often proud symbols of the shared goals and values of fraternal organizations. A clean and well-maintained facility not only elevates the image of the chapter and house corporation, but often actually increases the actual performance of the fraternity.

**2. Financial Management.** The fundamental breakdown facing many house corporations is the inability to fund the necessary maintenance and improvements to the facility. This creates a damaging spiral where maintenance is further deferred, and the fraternity limps into a living environment that pales in comparison to their competition and does not appeal to the most talented students and prospective members. Chapter quality suffers, recruitment declines, and financial implications grow deeper. Alumni do not want to invest time or money into a sinking ship.

This is not a business model that breeds success, and is certain to burn out even the most loyal volunteers. Housing corporations must take a critical look at their budgets and ensure that they are appropriately accounting for all house corporation and chapter operations when developing the fee structure. The usual glitch is the fear to charge a "market rent" to your residents. Market rent is not simply what other fraternities are charging on your campus. Rather, it

is what your local student real estate market can achieve in rent per tenant.

Research and analyze what comparable residence halls and apartments are charging in rental fees. Your university website will typically publish housing statistics and their various plans; and the university's financial aid office can often be of assistance in providing general off-campus living statistics. Utilize this market data to develop an accurate proforma and budget for your corporation.

These recommendations were developed through interviews with more than 3,600 affluent alumni regarding their interest in supporting their chapter with financial contributions, or through volunteer efforts. In terms of alumni relations, these principles are just as important as a consistent newsletter and regularly scheduled alumni events. Alumni want to know that any investment they make in the chapter will be secured; therefore it is imperative that these principles are implemented to ensure consistent, long-term success for the chapter.

*By Rod Barleen, VP-Pennington & Company. Specializing in fraternity fund raising, Pennington has helped raise more than \$70 million.*

## House Corporation 101

Chapter housing varies considerably from chapter to chapter. Some own their own chapter house, some rent from private owners, some rent from the university, some are in a fundraising mode to build a house while others have no facility at all and no immediate plans to do so. At each of these locations, there may be an entity comprised of volunteer alumni that calls itself "house corporation".

As the term "house corporation" suggests, there should be a legal entity behind the name. While this would seem obvious, a "house corporation" is not a corporation at all if it has never legally filed for incorporation or has let the corporation charter lapse. Having a legal corporation is *extremely* important for liability purposes. It helps legally protect volunteers from personal liability. If you are unsure of the legal status of your house corporation, have

a local corporation attorney review the state records or assist in setting one up. House corporations have a number of duties and functions including:

**1. Holding Meetings & Taking Minutes.** The house corporation board generally meets at least once a year or more often to discuss chapter house business. Minutes are the legal record of what business was transacted at each of these meetings. Minutes *summarize* actions, they don't recite the whole meeting word for word. Remember: Minutes are minutes, not seconds or hours. That means not too much and not too little. Record minutes keeping in mind those that did not attend that need to understand what happened. For tips on how to schedule, run and record meetings, see [www.meetingwizard.org](http://www.meetingwizard.org)

**2. Adopt bylaws.** Bylaws are like the official game plan on how a corporation is to be run and operated. Bylaws also state the rights and powers of the shareholders, directors and officers.

**3. Hold Annual Elections.** Director term of office is often two or three years and it's best to stagger the terms so not all director terms expire at the same time. Continuity is a good thing.

**4. Perform Annual Reporting.** States generally require the filing of an Annual Report which includes payment of a fee and completion of a form which identifies the current key officers.

**5. File Annual Tax Returns.** All corporations must file an annual tax return even when no tax is owed.

**6. Operate Within Your Governing Documents.** The articles of incorporation and bylaws give the board specific authority which has limitations. They can be amended if the board wants to change that level of authority but the board should not exceed authority without doing so. Liability insurance coverage may be invalidated if the board exceeds its authority.

**7. Secure Proper Insurance.** While many chapters are insured by Risk Management Foundation (RMF) for Fire, Hazard and General Liability Insurance, the house corporation should also secure Directors & Officers (D&O)

Liability coverage to protect volunteers that serve on the house corporation board. For more on D&O, contact RMF at [www.rmfonline.org](http://www.rmfonline.org). At minimum, each director should carry personal umbrella liability insurance to protect himself while serving on the house corporation board.

**8. Regularly Inspect and Correct Unsafe Conditions in the Chapter House.** You need to visit the house to know what the condition is. Do this at least once each school term.

**9. Maintain Arms Length Relationship with Active Chapter.** Do not interfere with active chapter operations. Keep the relationship between the house corporation and active chapter strictly landlord-tenant. Do not collect the chapter's dues or house bills for them. Communicate with the undergraduates, yes. Attempt to direct and control them, no.

**10. Take advantage of Grand Trustee resources.** To assist the Grand Trustees in determining the highest housing priorities, complete and return surveys when requested. Attend House Corporation Training which is underwritten by Sigma Chi. The things you learn will be invaluable.

**11. Volunteer and encourage others to do the same.** Give of your time and experience to grow more Sigma Chis.

Serving on a Sigma Chi house corporation is a noble calling. There is always room for a few more good men. When you decide to step up, make sure your house corporation is more than a name. Contact your province Grand Trustee for help.

*By Grand Trustees Rich Thompson & Harvey Silverman.*

## Summer Security

It's that time of year again. If the chapter house will be vacant for the summer, it's time to secure the building. Do a walkabout and:

1. Check all doors and locks; secure all windows and remove all personal valuables from the chapter house.
2. Arrange to have the house checked at

least weekly during the summer to make sure all is in order. Make sure to leave emergency contact information with all neighbors.

3. Turn off the water and natural gas supply.

4. Have a certified heating professional inspect your furnace operation, automatic shut-offs and venting.

5. Remove all combustibles such as paint and spray cans from the furnace area and store in a cool, dry place.

6. Empty all garbage and ensure no combustible items such as trash and paper are left in any public areas.

7. Make sure no electrical outlets are overloaded or potential fire hazards are left unattended.

## Suspended Chapter Asset Management

Some house corporations may face a time when the active chapter charter is suspended by the general fraternity. This event leaves the house corporation with assets that must be managed without an active chapter to pay the carrying costs. There are typically both funds and real estate to deal with.

If a decision is made to sell the chapter house, what should happen to the sale proceeds and other funds held by the corporation? There are provisions of Sigma Chi Governing Law that may apply and the house corporation may have specific requirements pertaining to sales proceeds. Review the articles of incorporation and bylaws for specifics. That notwithstanding, consulting with a knowledgeable tax attorney, CPA or your Grand Trustee is highly advisable.

Does this mean the chapter house of a suspended chapter always be sold? The answer varies. If the house corporation holds title to a property in good repair that could be leased out until the chapter can be re-chartered, then it may make sense to follow that course of action. However, if the house is in need of significant repair, structurally unsound or unsafe, the best course of action may be to sell. Regardless of the circumstances, the house corporation is charged with prudent action so consulting with a CPA and an attorney is highly recommended.

There may be significant tax

consequences when a house corporation sells its house. Regardless of a corporation's non-profit status, the sale of house corporation-owned property may be subject to capital gains and other taxes. A tax-free exchange under the IRS code might be a means to minimize a taxable event. A knowledgeable real estate attorney or CPA can explain available options.

While a charter suspension is a disheartening event, it often also provides another chance to do it better when rechartering can be accomplished. We commend you who serve unselfishly to provide safe and adequate housing to our undergraduate brothers.

*By Grand Trustee Harvey Silverman.*

## Renovation Funding

Sigma Chi offers a great alternative for funding chapter house fire/life safety improvements and renovations. Constantine Capital, Inc.(CCI) has loan programs that can lend up to \$250,000 at competitive interest rates with up to a 30 year amortization schedule.

CCI needs a first or second mortgage and normally requires local alumni or house corporation officers to personally guarantee an aggregate amount up to 20% of the loan, with no one alumnus representing a disproportionate amount of the guarantee.

Do you have a chapter house project that needs funding? Contact the Sigma Chi Director of Housing Chris Moran at [chris.moran@sigmachi.org](mailto:chris.moran@sigmachi.org) who can assist with the loan application. For more information about Constantine Capital, go to [www.sigmachi.org](http://www.sigmachi.org)>Members>Housing>Constantine Capital.

## We're Here to Help

Your Board of Grand Trustees is here to assist Sigma Chi house corporations in a myriad of ways. Besides many years of service to Sigma Chi in various capacities, there is almost *500 years* of combined professional expertise in such things as real estate development, property management, project administration, politics, maintenance, renovation, insurance, tax planning, accounting, construction, fund raising, legal, education, housing, risk

management and more.

While each Grand Trustee is assigned specific provinces to oversee, this combined expertise is available to all house corporations. The key to tapping this gold mine is to contact your province's Grand Trustee with a specific request for assistance. If your request is out of your Grand Trustee's specific area of expertise, other colleagues will assist in providing real solutions.

Give us a try. The Grand Trustees are here to help. Please use to the contact information on the cover page.

## *At Your Service*

The Grand Trustees rely on the assistance of Sigma Chi Headquarters staff to process information, provide databases and other necessary administrative tasks. We lean heavily on Chris Moran, Sigma Chi Director of Housing who is invaluable to achieving our goals and purposes. Contact him at:

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1714 Hinman Avenue  
Evanston IL 60201

Email: [chris.moran@sigmachi.org](mailto:chris.moran@sigmachi.org)  
Phone: (847) 869-3655 x227  
Fax: (847) 869-4906

## Bumper Snickers

- ☺ Change is inevitable, except from a vending machine.
- ☺ I took an IQ test and the results were negative.
- ☺ Where there's a will, I want to be in it.
- ☺ Eschew obfuscation.
- ☺ Editing is a rewording activity.
- ☺ Better living through denial.
- ☺ Ambivalent? Well yes and no.
- ☺ And your crybaby, whiny opinion would be?
- ☺ I majored in liberal arts. Would you like fries with that?
- ☺ A smile is a cheap way to improve your looks.