



# The Sig House

*A Newsletter from the Board of Grand Trustees*

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California Bay Area, North Central

## 2012 Outstanding House Corporation Award

Sigma Chi house corporations that own and manage a chapter house were invited by the Grand Trustees to apply for this prestigious award. The award criteria and point value were based on these chapter house good management practices:

	Pts
1. Minimum 3 member board	1
2. Minimum 2 board meetings/year	1
3. Written bylaws	2
4. Incorporation current	2
5. Written rental agreement	2
6. Security deposit required	1
7. Regular janitorial service	1
8. Plan for major repairs	2
9. Fire sprinkler system	3
10. Professional property manager	2
11. Minimum two newsletters/year	2
12. Maintains alumni database	2
13. Maintains website	2
14. Active fund raising campaign	2

To win the award, applicants needed to achieve at least 17 of 25 points. We are pleased to announce the winners:

**Alpha Chi House Corporation**  
**Pennsylvania State University**

**Alpha Nu House Corporation**  
**University of Texas-Austin**

**Alpha Theta House Corporation**  
**Massachusetts Institute of Technology**

**Alpha Omega House Corporation**  
**Stanford University**

**Beta Delta House Corporation**  
**University of Montana**

**Beta Iota House Corporation**  
**Oregon State University**

**Delta Iota House Corporation**  
**University of Denver**

**Delta Omicron House Corporation**  
**University of British Columbia**

**Delta Psi House Corporation**  
**Rensselaer Polytechnic Institute**

**Delta Rho House Corporation**  
**Bradley University**

**Epsilon Eta House Corporation**  
**California State-Fresno**

**Epsilon Kappa House Corporation**  
**University of Memphis**

**Epsilon Omicron House Corporation**  
**University of Western Ontario**

**Epsilon Psi House Corporation**  
**Sam Houston State University**

**Eta Omicron House Corporation**  
**Indiana University of Pennsylvania**

**Eta Rho House Corporation**  
**University of North Alabama**

**Gamma Delta House Corporation**  
**Oklahoma State University**

**Iota Mu House Corporation**  
**Wilfrid Laurier University**

**Psi Psi House Corporation**  
**Syracuse University**

**Theta Psi House Corporation**  
**University of Waterloo**

**Upsilon Upsilon House Corporation**  
**University of Washington**

**Xi Xi House Corporation**  
**University of Missouri**

ΣXcellent job! Thanks for all you do for Sigma Chi. **IHSV**

## 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.rmfeeducation.org](http://www.rmfeeducation.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. **IHSV**

## Pick Me! Pick Me!

When it comes to House Corporation board elections, are candidates scarcer than snowballs in h-e-double hockey sticks? This is a common frustration where the same few brothers shoulder the responsibility for life. So, how do you get others to raise their hand and step forward? Some suggestions:

### Communicate Regularly.

Uninformed brothers are uninvolved brothers. If you don't tell them what's going on and give them a reason to get involved, they won't. Regular newsletters get the word out and help recruit the willing.

### Put Them on a Pedestal.

Most brothers love recognition. Turn a "thankless" job into a position of honor. Hand out kudos and certificates, praise and congratulations. Do this at every opportunity, including board meetings and newsletters. Volunteers are attracted to positive, uplifting environments.

### Socialize.

People like helping people they know but easily dodge commitment to strangers. House Corp should sponsor several socials each year to break the ice. Golf tournaments, rafting trips, pub crawls and other social events promote brotherhood and a desire to join in.

### Encourage.

Volunteers need to know they are doing the right thing. Remember to build them up and ask if they need help. Value their opinions.

Remember as a kid waiving your hand wildly to be recognized by the teacher? Age tempers that need to stand up and stand out. It takes someone to get the ball rolling. Let'er roll! Pick me, pick ME!

By Grand Trustee Rich Thompson. **IHSV**

## 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. **IHSV**

## 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 not withstanding, 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. **IHSV**

## On Local 501(c)(3) Foundations

A recent article posted on the *Forbes Magazine* website entitled "College Frats: Should Animal House Be Tax-Exempt?" begins,

"The Animal House image some fraternities have—and some others may

want—should tell you that college fraternities—or sororities for that matter—are rarely known for their tax compliance. In fact, you've probably never considered taxes and these bastions of educational socializing in the same breath. But even these organizations need to know *something* about taxes."

It's pretty clear that the author of the article doesn't understand the difference between a fraternity active chapter and a house corporation that owns the chapter house. He also confuses "tax exempt" with "publicly supported charity". But the message is still noteworthy.

The article documents the case of a FIJI chapter at Bucknell University in which the IRS revoked its 501(c)(3) status. The IRS determined that the chapter was not fulfilling the charitable and educational mission set forth in its corporate charter. The chapter house provided lodging, dining, library and other educational facilities for students thought sufficient to meet the requirements set forth in the Internal Revenue Code.<sup>1</sup>

All 501(c) entities are tax exempt in that they are not subject to federal income taxes on the income derived from their primary operations. House corporations can operate in this manner if they apply for the appropriate status and maintain it. In most cases they are recognized as 501(c)(7) social or fraternal organizations. Active chapters enjoy this status under the "umbrella ruling" for Sigma Chi corporation. Contributions to "(c)(7)" organizations are not tax-deductible to donors.

501(c)(3) entities are publicly supported charities and include churches, universities, schools, hospitals and charities such as the Red Cross, the American Cancer Society, etc. The difference is that contributions to these organizations are tax-deductible. Educational Foundations come under this heading.

The FIJI house corporation managed to get status as an educational foundation but had that status revoked. As was

clarified by a companion article<sup>2</sup> they did not keep up with the educational/scholastic requirements of an educational foundation during the time that the active chapter was in hiatus. That resulted in the revocation.

It is possible that this situation could have been avoided if a scholarship fund had been set up to provide grants and awards. Regardless of the status of the undergrad chapter, the foundation should have continued annual fund raising (a requirement of a publicly supported charity) and found scholarship recipients from among the larger Bucknell student population even as they continued to operate the house.

Here are a couple of lessons to be learned from this:

1) Any 501(c)(3) organization must strictly adhere to the requirements set forth in their charter. This means no fudging on an educational requirement by suggesting that housing and meal plans meet the educational purpose test or they don't have to observe statutory requirements because their primary constituency (the chapter) is in hiatus.

2) It is better for a separate 501(c)(3) Educational Foundation to be set up with commitment to a full mission of academic support. The chapter house property can be conveyed to it as an asset to be managed by a third party (the house corporation) as part of the foundation's endowment/investment portfolio. This is the approach that we have taken successfully in Sigma Chi.

There are many advantages to be gained by having a "local foundation". It can allow tax-deductible contributions to go towards the improvement, maintenance and operation of a chapter house, provide an additional choice to donors and, in some jurisdictions, exempt the house from local property taxes.

However, it costs thousands of dollars to apply for and receive recognition as a 501(c)(3) local foundation and the regulatory threshold required to maintain it is high. Uncle Sam doesn't forgo dollars to his Treasury willingly. Don't learn the hard way as the FIJIs did.

When it comes to local foundations, you have got to follow all the rules all the time.

By Grand Trustee Bruce Morgan Casner

<sup>1</sup>Read full article here:

<http://www.forbes.com/sites/robertwo/od/2012/05/25/college-frats-should-animal-house-be-tax-exempt/>

<sup>2</sup>Read article here:

<http://www.insidehighered.com/news/2012/05/22/irs-revokes-exemption-housing-focused-fraternity-foundation-IHSV>

## House Corporation Resource Directory

### ARCHITECTURAL & PLANNING SERVICES

**Aynesworth Architects & Consultants 512.328.2272**  
G. Tim Aynesworth [tim@aynesworth.com](mailto:tim@aynesworth.com)  
PO Box 161434, Austin TX 78716 [www.aynesworth.com](http://www.aynesworth.com)  
Architectural design and construction management.  
Texas Registered Architect, Certified by National Council of Architectural Registration Board.

**Reid Studio Architecture LLC 217.390.7403**  
Rod Reid [rod.reid@comcast.net](mailto:rod.reid@comcast.net)  
Chapter house renovation and construction design; collects data, analyzes project requirements, develops cost estimates; assists locating design and construction team members.

### CHAPTER HOUSING DEVELOPMENT

**Pierce Education Properties, L.P. 619.297.0400**  
Matt Maruccia, VP for Acquisitions  
[www.PierceEducationProperties.com](http://www.PierceEducationProperties.com)  
National developers, buyers, owners and operators of student housing with specific expertise in Greek Housing acquisition, disposition, development, finance, etc.

### CHAPTER HOUSE FINANCING

**Constantine Capital, Inc. 816.300.0604**  
Tom Burton [tom.burton@abrealty.com](mailto:tom.burton@abrealty.com)  
Bob Schock [robert.schock.zo@sigmachicom](mailto:robert.schock.zo@sigmachicom)  
Affordable financing options to Sigma Chi house corporations for chapter house purchase, life & safety upgrades, new construction, renovation and loan guaranty

### CHAPTER HOUSE RENOVATION & DESIGN

**LAUNCH Interior Design 916.660.9856**  
David Leinberger **C 916.769.2464**  
[launch@starstream.net](mailto:launch@starstream.net) [www.launchinteriordesign.com](http://www.launchinteriordesign.com)  
New construction and renovation for cost effective and efficient design selections including paint colors, furniture, lighting, window & floor coverings and more.

### FINANCIAL & DATABASE MANAGEMENT

**GreekBill, Inc. www.greekbill.com 800.457.3816**  
Web-based billing and financial management service enables billing, collecting, budgeting, reporting, online payment options

**Legacy Financial LLC www.legfi.com 888.430.2253**  
Online bill paying and administration

### FINANCIAL & DATABASE MANAGEMENT

**OmegaFi www.omegafi.com 800.276.6342**  
Chapter and alumni management tools to bill and collect dues and rent, manage rosters and records, pay bills and employees and file tax returns.

### FOOD SERVICES

**Campus Cooks 847.309.1859**  
William Reeder [wreeder@campuscooks.com](mailto:wreeder@campuscooks.com)  
Comprehensive program includes an on-site cook who prepares meals and snacks plus management of staffing, payroll, food and supply ordering, menu preparation.  
[www.campuscooks.com](http://www.campuscooks.com)

### Culinary Consultants Purchasing Services

Stan Faulkner [Support@infoccps.com](mailto:Support@infoccps.com) 314.422.3407  
Brian Heider [www.infoccps.com](http://www.infoccps.com) 847.566.7533  
National buying program exclusively for fraternity chapters with food programs. Instant cost savings with no major changes to existing food program.

### FLOORING

**The Carpet Company 541.484.5373**  
Daryl Egbert C 541.517.8820  
[daryle@thecarpetcompany.biz](mailto:daryle@thecarpetcompany.biz) [www.thecarpetcompany.biz](http://www.thecarpetcompany.biz)  
All major brands of commercial and residential flooring.

### FUNDRAISING ASSISTANCE

**Grand Trustee Bruce Morgan Casner 202.543.4600**  
[bruce.morgan.casner@sigmachicom](mailto:bruce.morgan.casner@sigmachicom)  
Options on qualifying for tax deductible donations.

### Pennington & Associates 785.843.1661

Patrick Alderdice [palderdice@penningtonco.com](mailto:palderdice@penningtonco.com)  
[www.penningtonco.com](http://www.penningtonco.com)  
Capital campaign coordination, gift management, alumni relations programs, website development

### The Laurus Group 770.903.3987

Mary Barlow C 786.848.8987  
[mbarlow@thelaurusgroup.net](mailto:mbarlow@thelaurusgroup.net) [www.thelaurusgroup.net](http://www.thelaurusgroup.net)  
Fundraising consulting specializing in capital campaigns, gift management, alumni communications, annual funds

### INCORPORATION ASSISTANCE

**Grand Trustee Harvey Silverman 703.319.8806**  
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*Do you provide a product or service for Sigma Chi Fraternity chapter houses? Get listed in The Sig House Resource Directory! Email*

[rich.thompson@sigmachicom](mailto:rich.thompson@sigmachicom) IHSV

## Here to Serve

The Board of Grand Trustees is available to assist house corporations in a myriad of ways. The eighteen Grand Trustees have over 700 years of combined professional expertise in areas like property management, project administration, politics, maintenance, renovation, insurance, tax planning, accounting, construction, fund raising, legal, education, housing, risk management and more. Give us a try. IHSV



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