THETA TAU
PROFESSIONAL ENGINEERING FRATERNITY

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House Corporation Operations Manual

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The nation’s oldest, and still foremost, Fraternity for Engineers
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1. **Committee Members**

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2. **Introduction and Purpose**

The purpose of this document is to provide broad guidance and reference information on the creation and operation of a House Corporation. The manual may also be useful to currently existing House Corporations to improve parts of their operation or procedures.

Because the actions and policies of a House Corporation so directly affect both the House Corporation and the chapter the proper structuring of the House Corporation, undergraduate contracts and operating policies are very important to the long term success of both the chapter and House Corporation. Creating and operating a House Corporation involves much more than merely owning and leasing a house. A large part of the House Corporation efforts will involve student interaction whether for contracts, input on house operation and needs, insurance/risk management, maintenance, house operating rules, or mentoring students. Student members frequently must be assisted in learning accountability, leadership, and accounting / budgeting skills by the alumni of the local House Corporation or alumni association. As we move into the 21st Century, House Corporations will also need to continue to be diligent regarding undergraduate conduct in the chapter house; to do otherwise places the student members, the House Corporation, and Theta Tau at risk.

3. **House Corporation Creation**

   A. **Role of House Corporation**

One Theta Tau House Corporation has defined the following mission statement for its existence:

   *To provide a living environment for student members of Theta Tau that is clean, safe, conducive to learning, and convenient to campus.*

When questions arise about how best to proceed in operating, managing, repairing, or purchasing a chapter house, reflect on this mission statement for guidance.

The primary purpose of this manual is to aid alumni who are establishing a House Corporation for the first time or reforming a House Corporation which has existed in the past.

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 some or all of the following functions:
• Owns and/or manages real estate for the chapter.
• Leases the chapter house to the undergraduate chapter or individual members.
• Is responsible for the physical plant.
• Maintains the equipment and furnishings.
• Anticipates future housing needs.
• Maintains accurate financial information.
• Obtains loans when necessary
• Enters into contracts when applicable.
• Secures adequate levels of insurance
• Ensures that any applicable taxes are filed properly.
• Hires and supervises all chapter employees, such as cook, housemother, live-in adviser.
• In some cases serves in an advisory role to the undergraduate chapter.
• Be a good role model to the chapter.
• Knows when to say no!

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. It is critically important that the House Corporation insures that all facility duties are being properly handled by either the House Corporation, the alumni, a professional management group, the university, or the chapter.

For a House Corporation to successfully conduct its affairs, it should be legally incorporated as a non-stock, non-profit corporation under the laws of the particular state in which the chapter is located and the US government.

While incorporation does involve certain filing and legal fees, the advantages far outweigh the disadvantages. A few of the advantages are as follows:
• Protects the members from personal liability for the organization’s obligations and liabilities. (However, this “wall” can be breached if legal procedures are not carefully followed or the legal standard of “gross negligence” by the board is met.)
• Allows for perpetual existence instead of limiting the organization to specific terms of office or life spans of the officers.
• Allows the House Corporation to sue and be sued in its corporate name.
• Enables the House Corporation to own real estate in the corporate name.
• Offers protection of the House Corporation’s name.
• Permits the House Corporation to enter into contracts in the corporate name instead of individual member’s names.
• Provides greater continuity for the transaction of business for the organization forming new House Corporation.

B. Reforming a Dormant House Corporation

In the case of a group of alumni wishing to reform an old House Corporation, a search must first be conducted to find the exact status of the old corporation. Several avenues may be helpful in finding the necessary information. Certainly the most accurate method is to contact the Secretary of State or other similar officer in your state. The Secretary of State should be able to determine:
• If a corporation ever truly existed.
• If the corporation is still recognized by the state.
• If a copy of the original Charter, Articles of Incorporation, and Bylaws 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 previous 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, or call the Theta Tau Central Office as possible sources for the needed information. Many state’s lists of corporations can now be searched via the internet at the Secretary of States’ web site. This approach usually allows searching for a wider variety of possible past corporation names. Links to your state’s Secretary of State website can be found at http://www.nass.org/sos/sos.html which is a website containing links to all states.

Assuming the previous House Corporation was legally incorporated, and the original Articles of Incorporation and Bylaws can be found, the alumni should very carefully review the documents and make any necessary additions, deletions, or corrections. In most cases, it will be necessary to restate or amend the Articles of Incorporation and Bylaws rather than trying to amend them. This means completely rewriting them to comply with existing state laws. (Refer to Appendix A for a sample Articles of Incorporation and Appendix B for a sample Bylaws.) At this point onward the effort to reform a dormant House Corporation follows the same path as the materials that follow on forming a new House Corporation.

Throughout this manual a variety of sample contracts are provided, because these contracts are legally binding documents, they should be carefully reviewed by the House Corporation’s legal counsel prior to being used. Do not blindly copy a sample document and use it as a legal document.

C. Member Solicitation

Usually it is a small core group that develops the idea of providing chapter housing and then gets the effort started. Often it is only one or two key alumni who spearhead getting other brothers interested in helping, handle the first major solicitation efforts to gather broader alumni interest and support, and become active participants in the new House Corporation.

Broader solicitation efforts will vary depending on the Chapter in question. Ideas include: creating a mass mailing newsletter to send to all local alumni (alumni may be from the Chapter in question or from any Chapter, this is a choice that the House Corporation needs to make) within a certain radius of the Chapter House; e-mails, telephone calls or an alternate method.

D. Membership in the House Corporation

Membership in the House Corporation should be determined while developing the bylaws. There are several possibilities. This section will outline six alternatives. Any combination of these possibilities is feasible.

- All chapter alumni plus one class representative from each of the undergraduate classes. The chapter’s class representative may be elected for two to four year terms, (for the remainder of their undergraduate years), but are permitted to vote only after two years of holding office.
This establishes continuity within the undergraduate chapter and allows the chapter a direct link to House Corporation decisions.

- All chapter alumni who have donated to the House Corporation building fund or ones who have attained a cumulative donor level (perhaps $500 or $1000). Each member has a vested interest in House Corporation activities. The alumni who enjoyed their undergraduate years can foster, perpetuate, and improve that experience by assisting in directing the activities of the House Corporation.

- All chapter alumni and current undergraduate chapter officers. Alumni brothers and those who are currently directing the chapter can work together in formulating financial policies and planning for the future.

- Area alumni, chapter alumni, and chapter undergraduates who have contributed to the building fund. This permits those alumni who are logistically unable to assist their own chapters, to participate with the local chapter and give the House Corporation diversity. This is a good model for newly developed chapters.

- All chapter alumni are automatically members of the Corporation. Student members may attend House Corporation meetings.

- All chapter alumni who have paid their house note signed at initiation are members eligible to serve and vote in the House Corporation. Student members can attend and participate in meetings.

When establishing the membership of the House Corporation, serious consideration should be given to: (i) legal requirements, (ii) ability of members to become involved and to meet, and (iii) the effects on the undergraduates and the alumni who do not participate. For the most effective alumni participation, the House Corporation membership should have the broadest possible base.

This broad base of membership serves many purposes: (i) it is an incentive to the undergraduate brothers to stay in contact and to understand one of their possible future roles in Theta Tau, (ii) it provides an attachment to the undergraduate chapter after graduation, (iii) it is a vehicle in maintaining alumni interest for the future, and (iv) it channels alumni energies towards assisting the active chapter.

All alumni should realize that their participation and interest are necessary for the chapter’s strength, stability, and continuity. Once the membership has been established, a Board of Directors can be elected.

E. Board of Directors and Officers

The board of directors is a body elected from the House Corporation membership and responsible to it for all operations of the corporation. The directors are generally elected at the annual House Corporation meeting to serve terms, on a staggered basis, from one to five years. The directors should represent a large cross-section of the membership. The board meets (not necessarily in person, but at least by conference call or email), perhaps monthly or quarterly, to administer the policies of the House Corporation. These policies are formed directly from the House Corporation bylaws and House Corporation meetings. In the event the bylaws are not fully operable, the board may establish new bylaws or update the current ones.
At the meetings, the Board should review the chapter house lease and contracts pertaining to the chapter and its members, such as agreements with the housemother, cooks, auditors, or other outside personnel. As mentioned above, people contracted for particular responsibilities may be hired by the board and as such are paid by House Corporation funding through the lease of the chapter house or they may be hired by the chapter. In this case the board should be auditing the chapter’s contracts and financial aspects of hiring employees.

The board should establish and/or maintain all funds for mortgage debt, taxes, insurance, and maintenance of the chapter house. It should also plan for future chapter house renovation or construction.

At the first board meeting, after the annual house and corporation meeting, the directors should elect officers:

- A president to preside at all meetings of the board of directors and the annual House Corporation meeting and serve as chief executive officer of the corporation.
- A Vice-president to serve in the president’s absence and/or incapacity.
- A Secretary to: (i) maintain minutes of the board of directors and House Corporation meetings; (ii) issue notices for all meetings; and (iii) circulate appropriate information to board and corporation members.
- A Treasurer to: (i) be responsible for all House Corporation funds; (ii) keep accurate records of all financial transactions; (iii) prepare an annual budget for review and approval of the corporation board; (iv) file all necessary forms to the Internal Revenue Service; and (v) make a full annual financial report to the House Corporation.

Between board meetings, all business should be handled by an executive committee, perhaps composed of the officers and another board member or two. Of course, the composition of the executive committee needs to be stipulated in the corporation bylaws and can be constituted as the membership desires. Alternatively, an additional board member such as the chapter adviser and financial adviser could also be valuable ex-officio members of the executive committee or the board.

F. Incorporation

Someone in the proposed House Corporation must check with the local Secretary of State office, either in person, via a non-profit specialist attorney, or via the web site for the filing requirements to establish a non-profit corporation. A non-profit specialist attorney’s advice can be very important in the proper establishment of the House Corporation. A tax accountant can also be very helpful as well as the Theta Tau Central Office. The sections that follow cover the highlights of the articles of incorporation, the bylaws, and the various forms of a non-profit organization including the importance selecting the correct form of nonprofit corporation.

G. Articles of Incorporation

The articles of incorporation establish the legal basis for a House Corporation’s 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:
• Name of the corporation.
• Period of duration (usually perpetual).
• Purpose or purposes for which the corporation is organized.
• Provisions, not inconsistent with law, which the incorporators elect to set forth in the Articles of Incorporation for the regulation of the internal affairs, and dissolution of assets upon liquidation.
• Address of its initial registered office and the name of its initial registered agent at such address.
• Number of directors constituting the initial board of directors and the names and addresses of the persons who are to serve as the initial directors.
• Name and address of each incorporator.

Particular attention should be given to the purpose clause since it could have direct ramifications in regard to the tax-exempt status. The purpose clause should therefore be most likely geared to approval as a 501(c)(7) organization. Refer to section 3. I. i. for a more detailed discussion regarding section 501(c)(2), 501(c)(3), and 501(c)(7) corporation requirements and how the articles should by structured if the corporation is to qualify as the desired type nonprofit organization. (Refer to Appendix A for a sample Articles of Incorporation and Appendix B for a sample Bylaws.)

A primary obligation to remain an active corporation within each state is to file what is commonly called an “Annual Corporation Report” (though some states may require it less frequently). It is usually a simple 1 page report which is submitted annual to the state with a nominal fee ($25) required of all corporations (profit or nonprofit) registered with the state.

H. Bylaws

Bylaws are rules adopted and maintained by a House Corporation to define and direct the internal affairs of the organization. Bylaws are supplementary to the articles of incorporation and are usually more specific. Like the articles of incorporation, the bylaws can have direct ramifications on the tax-exempt status with the Internal Revenue Service. Well developed bylaws usually include:

• Restatement, in greater detail, of the Corporation’s purposes. Again consider IRS ramifications of stated purpose
• Qualifications of membership, classes of membership, expulsion, and resignation procedures
• Notices, times, places, and minutes of meetings
• Authorization for the Board of Directors to “meet” and vote via conference call or email
• Description of the officers of the corporation. This description should include authority, qualifications of directors, election, terms of office, duties, and removal procedures
• Filling of vacancies in officers’ or directors’ positions
• Identification of any standing or special committees
• 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. Often a dollar limit is placed on how much the executive board can disburse without approval of the full House Corporation board
• Amendment procedures
• Dissolution procedures, including the disposition of surplus assets or all assets at dissolution

A sample Bylaws is included in Appendix B.
I. Tax Related Issues

i. I.R.S. Filings

a. The local chapter houses of Theta Tau can be owned by House Corporations established and controlled by the chapter Alumni organization or by completely independent House Corporations. In addition, chapter Alumni organizations may be interested in providing scholarships and other financial assistance to the active members and to raise money through organized campaigns to be expended on various projects for the local chapter. Internal Revenue Code Section 501(c) has three sub-sections which both assist and restrict the Alumni and the House Corporations. These sections are 501(c)(2), 501(c)(3), and 501(c)(7). Compliance with the regulations under these sections and the regulations including the filing of all necessary forms should be handled by an alumnus competent in this area of tax law or preferably a legal professional should be hired.

The section 501(c)(7) is most commonly used by Theta Tau House Corporations to operate as a non-profit corporation to provide housing. Donations to this form of corporation are not tax deductible. The section 501(c)(3) organization is strictly to provide monies for educational purposes, i.e. scholarships, etc., donations are tax deductible and usually does not provide housing. The Theta Tau Educational Foundation is a 501(c)(3) organization formed for these educational purposes (scholarships and leadership training). The section 501(c)(2) non-profit status is used by some fraternities for House Corporations but requires that it have a parent organization that net income is remitted to.

Most State Nonprofit Corporation laws refer to nonprofit organizations rather than “not-for-profit” or “nonstock.” These three terms are all synonymous. Not-for-profit and “tax-exempt organization” many times are not the same since “tax exempt” usually refers to a federal (IRS) status. It is common for an organization to be established as a nonprofit corporation for state nonprofit corporation law purposes, but yet not qualify as a tax-exempt organization under the federal income tax laws. This is a very technical and complicated area. The word “nonprofit” will be used throughout this manual regardless of whether discussing federal or state requirements. Nonprofit Corporations are allowed to make a profit. In fact, they must do so to save and prepare for maintenance, improvements, and even construction of a chapter house. The word “nonprofit” simply means that profits are not distributed/paid (i.e. dividends) to the corporation’s stockholders since there is no stock and are no stockholders.

b. Section 501(c)(2)- This sub-section exempts corporations that have been organized for the exclusive purpose of holding title to property, collecting the income from the property, and remitting the net income to another organization which is itself exempt from tax under Section 501(a) from federal income taxation. The original statute was enacted in the Revenue Act of 1916 and has remained virtually unchanged. This section is one of the two choices of non-profit corporation in which an Alumni organization can own, repay mortgage indebtedness, maintain reasonable reserves for capital improvements, and make repairs to the chapter house, but it also has specific restrictions on any net income and non-housing activities.

Section 501(c)(2)-1(a) provides that a title-holding corporation cannot qualify if it carries on any activity other than holding title to property and collecting income from it. However this section has been amended to allow title-holding corporations to receive up to 10% of its annual income from other sources as long as it is incidentally derived from the holding of the real property. If the unrelated income exceeds 10%, the corporation will lose its exemption unless it can be shown that the excess income was inadvertent and that reasonable steps are being taken to correct the
circumstances which cause the excess income. Unrelated income is always subject to tax as Unrelated Business or Trade Income no matter what the level.

An exempt title-holding corporation may pay from the income received from the real property interest and principal on any indebtedness, real estate taxes, insurance premiums, and a reasonable reserve for depreciation or capital improvements. The remaining income, if any, must be remitted to an organization which is exempt under Section 501(a). The Internal Revenue Code does not specify the relationship that must exist between the title-holding corporation and the recipient of its income. The recipient organization must exercise some control or owner ship over the title-holding corporation. This last requirement usually makes the 501(c)(2) section unworkable for many House Corporations unless they were formed as a subset of the local alumni association which already has the proper non-profit status. For Internal Revenue purposes a chapter Alumni Association may fulfill this role.

A title-holding corporation is not required to file an application for exempt status recognition with Internal Revenue Service. However, to obtain recognition of the exempt status, Form 1024 must be filed. Form 1024 (“Application for Recognition of Exemption”) asks the IRS to determine your tax status’ therefore, it is wise to file Form 1024 to confirm the qualification for exemption from federal income tax and to avoid future tax penalties or litigation over the exempt status.

Both the active chapter and the House Corporation are required to file an annual Form 990. Except for unrelated business and trade income which is subject to tax, this return is an informational return only. If the unrelated business and trade income exceeds $1,000 additional forms are required. The house association or active chapter are also required to file the necessary Social Security and income tax withholding forms with respect to any paid employees of the chapter within the times prescribed by law.

Gifts and contributions to the chapter or the House Corporation are not considered income and such donations are true gifts. As such, these gifts would be tax exempt for the House Corporation or chapter only. The donors who make those gifts, however, do not get a charitable income deduction on their personal tax return.

c. Section 501(c)(3): This sub-section is designed for those organizations which are not only exempt from federal income tax, but also afford to donors a charitable income tax deduction or a charitable estate tax deduction. These organizations are organized and operated exclusively for such things as religious, charitable, scientific, literary or educational purposes. The exemption under this section is intended to encourage these types of organizations to undertake tasks that the government would otherwise have to perform itself. The general use by the alumni of this type of organization is for the purpose of establishing, funding, and disbursing monies for the members of the active chapter for scholarships, leadership training, and educational area only house improvements.

Since gifts to a title-holding corporation exempt under 501(c)(2) or 501(c)(7) are not deductible as a charitable gift; the alumni would need to establish a separate nonprofit Corporation qualified under Section 501(c)(3) in order to receive and grant scholarships to the active members of the chapter. The requirements to form a 501(c)(3) corporation are very strict which is why the Theta Tau Fraternity has undertaken this by forming the Theta Tau Education Foundation in 1998. Donors to the Theta Tau Education Foundation can take a deduction on their personal taxes to the extent allowed by law.
Most Universities and Colleges have foundations qualified and exempt under 501(c)(3) and, as mentioned above, our national Fraternity has the Theta Tau Educational Foundation which is a foundation exempt under these provisions. The Theta Tau Educational Foundation allows alumni to utilize the tax-exempt contributing to support the Theta Tau’s scholarships and leadership training. All contributions to the Educational Foundation can go into the general fund or to a restricted-named fund within the Educational Foundation that is reserved for a specific chapter to serve as a permanent endowment.

“Named” or “restricted” funds might receive contributions from numerous alumni within a chapter and be called something like the “Chapter XYZ Scholarship Fund” or might be endowed by just one contributor such as the “George P. Kalv Scholarship Fund.” These are designed to be permanent funds. A permanent fund will only be perpetual if it is endowed with a sufficient sum to generate interest/investment earnings in an amount that will be meaningful / beneficial to those goals specified by the donor(s). Just as importantly, if the generated fund is going to be meaningful decades from now, as inflation impacts the value of the dollar, the fund must also keep some of its interest / investment earnings and add those earnings to its principal. Therefore only a portion of its earnings can be granted each year to recipients. A permanent / restricted fund in the amount of at least $10,000 can usually provide awards to recipients. Obviously, a fund endowed with a greater sum can make more or larger awards each year.

If a House Corporation is holding monies for scholarships it is recommended that such monies be transferred to the Theta Tau Educational Foundation or your own qualified 501(c)(3) Alumni Foundation for administration and future distributions. This will ensure that the House Corporation retains its exempt status under 501(c)(7) or 501(c)(2); that the charitable deduction and charitable purpose of the donation are kept; and for the proper administration and distribution of these monies. If making a contribution to a Foundation in your name, Theta Tau advises you to establish the requirement that Theta Tau student members from your chapter be given preference in application. If your University will not do so, the Theta Tau Educational Foundation certainly will.

d. Section 501(c)(7): This sub-section is designed for “Social and Recreational Clubs” which are organized and operated for pleasure, recreation, and other nonprofit purposes and the net earnings used for its exempt and charitable purposes are exempt from income tax. All other earnings are subject to the unrelated business income tax. Social clubs are subject to a number of special rules concerning taxation of their unrelated business and trade income. The IRS has implemented strict guidelines for the amounts of nonexempt income which a club can receive without losing its exemption. The current rules should be checked regularly such as each year when the tax form 990 is filed. For example when this was written the IRS would allow a club to receive up to 35% of its gross receipts from nonmember sources without jeopardizing its exemption. Of the 35%, no more than 15% of gross receipts could be derived from the use of the club’s facilities by the general public.

The National Fraternity, local chapters, most chapter Alumni Associations, and most House Corporations are formed under this Section 501(c)(7). The individual chapters of Theta Tau are not considered a subsidiary of the National Fraternity and must obtain their own non-profit status. Some other fraternities use a group exemption number as a subsidiary of the national fraternity but this can expose the entire fraternity to financial and legal obligations caused by one member’s, chapter’s or House Corporation’s problems. The national Fraternity periodically evaluates the benefits and risks of establishing a group exemption number and status for all units of the Fraternity.
Exemption from tax on income will be denied to any organization if its charter, bylaws or other governing instrument contains a provision for discrimination on the basis of race, color, or religion. There is no definition of the term “club” in the Code, however, the IRS takes the position that it implies personal contact and fellowship. Therefore activities of these types of organizations must involve the actual commingling of members and such commingling of members must play a material part in the purpose and activities of the organization.

The primary purpose of this type organization is to serve as a “social focus” for the graduates of the local chapter; to keep the alumni in contact with the chapter; to provide leadership, guidance, and financial support to the active members in fulfilling the tenants of the National Fraternity; and to be the vehicle to raise needed funds for the long term maintenance of the house and the accomplishment of specific chapter projects. Providing a house for these activities and living accommodations for the student members is a part of this activity. While these types of organizations need not be incorporated, because its members typically are brothers who have graduated from the university or college and are now in active practice or business occupations, it is strongly recommended to incorporate under the nonprofit laws of the state for the liability protection afforded by those state statutes.

e. Summary: The alumni of a local chapter of Theta Tau Fraternity may choose from up to three nonprofit entities. The first nonprofit entity is a corporation established under Section 501(c)(2) which has as its only permitted functions to hold title to the chapter house, to collect rents from the chapter, to maintain the house structure, and at least annually to expend the balance of any net income for the benefit of an organization which is itself exempt under Section 501(a) such as the Alumni Corporation, the chapter, or National Fraternity. This form of nonprofit entity is not commonly used for a House Corporation due to the restrictions.

The second nonprofit entity is a corporation established under Section 501(c)(7) which exists primarily to serve as a “social focus” for graduates of the local chapter as well as a mechanism to raise funds to be expended on various projects for the chapter. When established and used properly, it is the best and most commonly used entity for a House Corporation.

The third nonprofit entity is the alumni charitable foundation established under Section 501(c)(3) which is organized and operates exclusively for religious, charitable, scientific, literary or educational purposes. Most of these organizations for the alumni would only be for the creation of scholarship funds under the educational purpose of this section. The establishment and operation of such a foundation is quite complicated and requires adherence to very strict guidelines. The Theta Tau Educational Foundation has been created to fulfill this need and such scholarship funds of the local chapters should be either transferred to or established with the Educational Foundation. The alumni could also investigate the availability of foundations created by their university or college, but are strongly encouraged to require that the University give preferential priority to Theta Tau applicants.

ii. Tax Responsibilities
Typically, there are only three Federal taxes which pertain to a chapter’s operations. It is imperative that the Treasurer have complete awareness of these taxes as it is his / her responsibility to comply with all regulations pertaining to them. Failure to comply can cost the chapter severe financial penalties and great inconvenience. In fact, some chapters have a ruling that any cash penalties arising from the failure of a treasurer to properly follow tax regulations are assessed to the Treasurer personally.
The three tax categories applicable are: income, income tax withholding, and Social Security. The three tax categories plus filing and payment requirements are discussed briefly below:

**a. Income Tax** - Each chapter is exempt from income tax, see IRS nonprofit section 501(c)(7) in the previous sections. However, this exemption does not relieve the chapter of the responsibility of annually filing a Form 990 or 990-EZ (“Return of Organization Exempt From Income Tax”), if they are at or above the filing threshold of $25,000 in revenue. Failure to file the return can cause the chapter to lose its exempt status and make it liable for payment of an income tax.

This income tax return must be filed annually on or before the 15th day of the fifth month following the close of the chapter’s fiscal year, i.e. if the fiscal year ends August 31, the return is due January 15th or if fiscal year is the calendar year then May 15th.

The Form 990-EZ is relatively easy to fill out, particularly if the Treasurer follows the return which was filed for the chapter in the previous year. The standard version Form 990 can become more complicated dependent upon the variety of income sources that the chapter or House Corporation may have. Often the university supported Greek association can provide professional assistance in completing this form. The Theta Tau Central Office certainly can provide assistance to ensure that your group operates in compliance with federal regulations.

If the gross receipts of the chapter are normally not more than $25,000, you usually do not have to file Form 990 with the Internal Revenue Service. The test currently used by the IRS to determine if you meet this $25,000 threshold is as follows:

An organization's gross receipts are considered normally to be $25,000 or less if the organization is one of the following accurately applies –

- Up to a year old and has received, or donors have pledged to give, $37,500 or less during its first tax year
- Between 1 and 3 years old and averaged $30,000 or less in gross receipts during each of its first 2 tax years
- Three (3) years old or more and averaged $25,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

**Please note that this test is subject to change by the IRS. You may also still have to file with the state taxing authorities and you must check the state’s filing requirements.**

**b. Employee Income Tax Withholding** - Each Fraternity chapter that has regular employees or part-time employees must withhold and remit to the Internal Revenue Service, tax which is collected for and withheld on behalf of employees. There are certain exceptions to this rule, but the current IRS rules should always be checked.

- Wages or amounts paid for “domestic” services, i.e., cooks, housemothers, houseboys, stewards, waiters, are excluded from Federal income tax withholding.
- Independent contractors - someone who renders a specific service such as an accountant, a gardener, or other service. Again there are very specific tests by the IRS on whether a person is really an independent contractor. See Appendix J.8. for information provided by James R. Favor Company for Theta Tau Fraternity’s use.
- Officers who are reimbursed for expenses incurred in carrying out the duties of their office, (not considered salary or wage).
c. **Employee Social Security Taxes** - Each chapter or House Corporation is responsible for collecting and paying Social Security taxes (FICA) on the following employees.

- Employees who are subject to withholding tax.
- Employees who perform services and are paid wages including "domestic" services.

Check with the appropriate government offices for the current rules. Amounts that are withheld from employees for FICA or Social Security tax, together with the fraternity chapter’s payment, must be remitted to the Internal Revenue Service on a specified schedule. For each calendar year the social security tax rate imposed on employers and on the employee’s wages may change as well as the maximum amount of wage taxed. These rates must be checked each year.

d. **Deposit Requirements** - Generally, you must deposit withheld income tax, and employer and employee FICA taxes, with an authorized financial institution, or a Federal Reserve Bank. The amount of taxes determines the frequency of deposits, in other words, monthly, quarterly, etc. The rules should be checked each year to be sure taxes are properly withheld and deposited.

e. **Additional Filing Requirements** - Each chapter is responsible for filing the following forms. Again, check this information with the appropriate government office or a professional tax accountant, as the information could easily have changed since this was written.

- **Form 941**, Employer’s Quarterly Tax Return. This return is to be filed on the last day of the month following the close of each quarter. Form 941 reports the amount of employee’s income tax and FICA taxes withheld for the quarter as well as the employer’s matching FICA tax.
- **Form 940** - Employers’ Federal Unemployment Tax Return. This is an annual return and is due on January 31. An employer is responsible for filing form 940 if they had one or more employees in a quarter or paid more than $1000 in wages in a calendar quarter. The specific requirements should be checked prior to hiring employees and regularly thereafter.
- **Form W-2** Wage and Tax Statement. You are required to prepare Form W-2 for each of your employees to whom any of the following items applied:
  i. You withheld income tax or FICA (Social Security) tax.
  ii. You would have withheld income tax if the employee had not claimed more than one withholding allowance.
  iii. You paid $600 or more to an individual.

By January 31, give 2 copies to each person who was your employee, (if anyone stops working for you during the year, you should give copies within 30 days after the last wage payment). Copy A should be sent to the Social Security Administration on or before the last of February.

- **Form W-3** is a Transmittal of Income and Tax Statements. Form W-3 is to be filed with the attached Copy A of Forms W-2 by the end of February.
- Also, it should be noted that any employee whose (1) remuneration totals $600 or more for the calendar year and who has not been included in your quarterly Form 941, must be notified annually on or before February 1 on IRS Form 1099. Forms 1099 and 1096 must be filed with the IRS by the last day of February.

f. **State Taxes** - Each chapter should check State tax laws regarding requirements for filing of unemployment tax and other tax returns.
In tax matters, the organization needs to check the latest requirements, and it is recommended to work with a professional familiar with the tax codes and requirements. Often the university or college fraternity system can provide help for the student chapter as can the Theta Tau Central Office. **Because of the extensive requirements needed to meet the tax obligations (particularly those associated with employment) and because of the penalties/fines associated with non-compliance, we advise the House Corporation to take responsibility for tax-related matters.**

**J. Financial Considerations**

i. **Introduction**

Financing a new fraternity house for an existing chapter with an alumni base that can be drawn upon for financial support, versus financing a new fraternity house for a new chapter that does not have an adequate alumni base presents significantly different problems. With a well established alumni base, it may be possible to generate sufficient cash through contributions and the issuance of bonds to construct the new house without any, or little, bank debt. With a new chapter bank debt will be the core source of funds. Along with bank debt comes all the requirements for primary and secondary sources of payment, including guarantees that will most likely be required of key alumni.

This section of the House Corporation Manual is designed to help House Corporations, new and old, work through the decision making process regarding the management of an existing fraternity house, or the construction, renovation, or renting of a fraternity house for their chapter.

ii. **General**

The average chapter membership in Theta Tau in 2004 was 23 undergraduates. Chapter sizes varied from a low of 6 to a high of 70. With the new increased allowed membership level of 70 it is expected to see the average chapter size return to the 30 member range in the next two to three years. The number of members living in Theta Tau chapter houses varies widely depending upon house size, house rent, and the trend today for many members to want private rooms which can considerably reduce the house’s capacity. An estimate of the typical house is 20 to 25 residents while one Chapter House holds only about five while one new house holds almost 70. The number of actives living in the house is a function of many factors, but especially the monthly costs to undergraduates living out of the chapter house versus living in the house and the privacy issue mentioned above. This underscores the importance of charging chapter members who live out of the house an appropriate fee for maintenance, operations, rent and insurance. This charge, often called a “parlor tax”, is used by many fraternities since the out of house members enjoy the same benefits, except for having a personal room, as the members who live in the house. Typical charges can range from a low of $50 to $100 per term to the range of $300 or $400 per term depending upon the chapters financial and house occupancy situation. The charge makes up the difference in rent monies available because of low occupancy or is sufficient to encourage members to live in the house.

While a number of our chapters operate with full houses, the “down side” possibility of “under utilization” must be part of the planning process. One does not want to create a chapter/House Corporation commitment that requires the chapter house to be nearly full all of the time to break even. While traditional university area rental properties may carry vacancy factors in the range of 5 to 10 percent, House Corporations may want to plan on at least a 10 to 15 percent vacancy factor. For chapters with declining memberships, a factor of 15 to 30 percent or even higher may easily be required while the chapter is rebuilding. These cycles of decline can occur in any chapter over the long term.
In today’s university environment, the cost of living in a fraternity is a major factor in rush/recruitment. For a few strong chapters it may be possible for the “live-in” costs to be more than “board and room” at the university dormitory and other fraternities. However, realistically in most university situations the chapter will have to be competitive with the dorms, other fraternities, and apartment arrangements. Ideally, the chapter should strive to house a member for less than the board and room costs in a dorm, and stay competitive with other fraternities. The belief that the fraternity has so much more to offer and therefore can charge more is no longer a valid marketing strategy at many of our universities. In today’s environment we are competing for quality young engineering students who may not understand or know the values of a fraternity. Often they will only learn the value after they pledge. In addition, most universities are spending vast sums to make “dorm-living” more desirable to students. The days of the cold, white cinderblock room are over most places. Even in those places where it still exists, there are usually a large common recreation areas in the dorm building which are more welcoming, comfortably furnished, and well-equipped with the latest electronics.

It must be remembered that an entirely new group of students pass through the chapter every four years. And every year you have new officers who are not seasoned leaders and will require guidance and training. While all would like to think the guidance and training comes naturally from upperclassmen, it is very dangerous to assume this will happen. Alumni supervision is absolutely necessary for consistency in managing the chapter house.

A 25-person house will receive and disburse around $100,000 a year and proportionately $200,000 for a 50 person house. Generally, the housing board and chapter hold the chapter treasurer responsible for the financial success of the chapter. Yet, how many young people entering the universities are capable of handling a $100,000 or $200,000 budget, pay bills, send monthly invoices and collect receivables? Very few can step into this job, without guidance, training, and strong support from the alumni and the housing board. While the alumni counselor and his/her team are generally responsible for guidance and training, the housing board must carefully monitor the chapter’s financial condition as well as the condition of the house and help make corrections where necessary. The chapter’s entire executive board needs to be made responsible, along with the treasurer, so they support the treasurer. This will require that they be educated as to the importance of meeting financial obligations, and the methods of record keeping and budgeting. The housing board needs to ensure that the chapter executive board is living up to and demanding financial responsibility. It must be understood that a brother’s failure to meet personal financial obligations to the chapter (and House Corporation) is “conduct unbecoming a brother”. The financial success or failure of the chapter directly affects the total success or failure of the chapter. It only takes two or three months for a chapter to get into financial trouble to the point that it cannot recover without help. And if the chapter is in trouble, the housing board will be in trouble very shortly!

House Corporations must face the fact that they are operating a business with upwards of a half to one million dollars or more of assets, including the total value of the chapter house, land furniture, fixtures, and equipment. Such a business must be operated in an efficient manner if it is to survive. If the members of the corporation do not have the education, training, experience, or time necessary to manage such a long-lived, high value asset, professional help should be obtained. Regular reviews and audits of the receivables and payables and the organization’s books are an absolute must.

Dr. Irving M. Field, A.S.A., Realtor, who served over 11 years on the National Council of Acacia (the last four as president) found several instances where a chapter’s failure could be traced directly to faulty House Corporation decisions which put the active chapter in an impossible and deteriorating
financial position. A House Corporation’s primary purpose is to serve the active chapter and provide it with housing that will enable it to be competitive at its university. This can be best accomplished with careful coordination of the House Corporation with alumni advisers, alumni, and actives.

Remember, alumni advisers and housing board members are teachers every semester and every year!

K. Types of Housing

There are essentially four basic types of fraternity housing, namely:

1. Traditional
2. Lodge
3. Apartment
4. Other

In addition, two and three have been combined in some new projects, and the lodge-apartment complex combination will be discussed in addition to the four basic types.

Traditional fraternity houses built specifically for fraternity usage are often impressive structures which usually can hold 20 to 75 members and cost approximately $1,000,000 to $1,250,000 minimum to replace or build in today’s market, exclusive of land. Traditional housing usually contains living, dining, food preparation, recreation and chapter room areas plus numerous study-sleep rooms or study rooms and a sleeping dormitory. Such housing is relatively better than the other types from the standpoint of developing “brotherhood.” However, the traditional fraternity house is also a single purpose structure that can be a “white elephant” on the market if the chapter fails in a university area where the fraternity system is in trouble at the time of the failure. Often times, older homes can be purchased for less, but require substantial improvements to meet regulations (such as fire) and to meet fraternity housing code. Older facilities can be expensive “energy hogs” too. Newer chapters are concentrating on building “energy efficient” houses that can become multi-purpose with minimal additional costs.

Lodge fraternity housing is a very old concept, both on college and university campuses and elsewhere as witnessed by the Elks, Masonic, Moose and other lodges. Many college fraternities received their early start as eating clubs in the Ivy League or Midwestern areas. In most areas of the country, this form of fraternity housing is no longer in vogue. Some predict it will become more popular in the future. To be successful today, though, it appears that a lodge will either have to be able to offer a combination of food and beverage services, (if legal), or else offer some benefit that will attract a large number of dues-paying members.

Apartment fraternity housing need not be discussed at length. It is simply a way to bring the officers and some of the members of the fraternity together in its formation stages or to keep them together for awhile when the house is in its death throes. In the apartment fraternity housing approach, members rent adjacent or nearby apartments. Such an arrangement is a compromise, based on necessity and is not overly conducive to the development and retention of “brotherhood.” This is especially true due to the lack of any common fraternity areas such as chapter room, dining, and living room type facilities.

Other fraternity housing, as the name implies, can be anything, perhaps even a meeting room in the student union. However, it usually consists of a larger older house which can be successfully modified to hold 10 to 20 of the brothers in reasonable comfort, and even more important, satisfy the local
building code, zoning ordinances, and inter-fraternity council and college or university regulations. Such housing is usually the only type available to a new colony or small fraternity, unless there is an affluent alumnus who will help “bank roll” the operation. Such housing can sometimes be rented or bought on a real estate contract from the seller with smaller down payments and reasonable payment terms. The down payment plus modification and furniture costs can often be obtained from a combination of active and alumni fund drives, national grants in aid, loans or loan guarantees, and mortgages.

Lodge-apartment fraternity housing is a relatively new alternative. Such housing does not create a “white elephant” like the traditional house may become, or discourage “brotherhood” like a traditional apartment, but rather an apartment complex with recreational areas that would be attractive to real estate investors in general. Due to its possible dual-purpose use, mortgage loans on such a complex might be easier to attain. If the complex is properly designed, fluctuations in house membership could also be more easily handled by renting out apartments or floors of apartments to other students. Possible innovations based on the lodge-apartment complex are endless. For example:

1. If catering is available on campus and if the membership desires, breakfast and lunch food service may be dropped and the dinner catered. Such an arrangement would save the building corporation a great deal of money as costly commercial food preparation areas could be eliminated from the plans. In addition, the house bill could be materially lower due to the reduction of part of the food services and the elimination of the need for a cook.

2. The lodge-apartment complex also might be just the thing needed to stem the exit of seniors from the fraternity to apartments as under this arrangement they would supposedly have “the best of both worlds.”

It should be specifically noted, though, that as a relatively new concept, lodge-apartment fraternity housing will undoubtedly create some new unforeseen problems in addition to solving some old ones.

I. Develop Business Plan for Proposed House Corporation

Because the proposed House Corporation will have assets of a half to one million dollar or more it should be treated as the startup of any business with the development of a statement of purpose and a financial business plan in addition to the standard articles of incorporation and bylaws.

The first step, stating the purpose of the House Corporation should have been covered in the writing of the bylaws and can be abstracted from there.

The second step in this is to develop a list of what is required for the fraternity house, its rooms (sleeping and study areas, chapter room, living room, kitchen facilities, laundry, utility rooms, storage, restroom and bath /shower facilities), the capacities needed, and the uses of the facilities (i.e. study, sleeping, chapter functions, and social activities, etc.). It is important to differentiate between what is necessary for a successful chapter house and what is just “nice to have”. These criteria can be used to review and compare locally available facilities that meet the requirements. Costs for purchasing, leasing, and operating these facilities can be then obtained and used in the development of the financial aspects of the business plan.
As mentioned above, part of the business planning will be, if not already done, to gather comparison information on the rental cost of alternative living arrangements, from local apartments, houses, and university dormitories. It is advantageous (if fiscally possible) to set the rental rate for the fraternity house below the university dormitory rate as this is a selling point to students and parents. Typically, university dormitory rates are sufficiently elevated and this should not be an undue burden to the House Corporation. This is admittedly a generalization as real housing rates are highly sensitive to supply and demand. Conduct a thorough research of a campus community’s housing rates; do not rely on anecdotal information! In addition, this is a good time to gather information on all the following: local mortgage costs, possible mortgage requirements and availability, what house funds have already been collected and house notes pledged, estimate future donations from alumni, and estimate other sources of income.

Third, a complete budget of revenues and expenses for the House Corporation should be developed. This should be not only for the first year but a projection for the 5, and 10 year points and even further out. For example, roofs are estimated to have a 30 year life and money must be allowed for in the business plan for replacement of items like this and others such as the furnace, water heater, and dishwasher, etc. On the expense side other items range from mortgages, to taxes, licenses, insurance, maintenance, remodeling, repairs due to normal wear and tear, and damage due to someone’s actions or nature. On the income side not only house rent must be considered but income from donations, house notes, and interest on long term investment of funds, etc.

The chapter’s budget must also be considered since as mentioned the House Corporation can unintentionally hurt the chapter financially by an unrealistic rent plan. In addition, the House Corporation and chapter must, for example, decide who is paying various utility costs (typically the chapter) and insurance costs. The insurance is sometimes paid entirely by the House Corporation and sometimes part or all of the liability is covered by the chapter. It is perhaps more controlled and assured that payments are made on time if the House Corporation handles both. The money eventually comes from the actives via the rent anyway.

This manual cannot detail every possible revenue or expense that should be considered or unique items you will have in your planning but some general guideline / examples are outlined in the following sections. Some fraternity’s housing manuals provide very rigid financial guidelines while others provide just a brief listing of possible financial concerns. Since at present, the Theta Tau House Corporations are all fairly independent organizations this manual will take a more general approach. The best approach after drafting the plan is to review it among the group forming the House Corporation and then have others, both alumni and professional help review your plan. The goal is to have a realistic business plan that shows how your corporation will function for the many years ahead regardless of the ups and downs of the chapter, the alumni, and the economy. Also, be sure to include the many startup costs of various professionals and the fees for establishing the corporation with the state and federal government.

An analysis of the completed business plan will give an answer on whether the projected house is a realistic and feasible project. If the project is financially feasible you can proceed to the next steps of establishing your House Corporation and a chapter house. If the plan is not workable it is necessary to determine if things can be changed, deleted, or handled differently to make the plan work. The business plan is your guide to a financially successful House Corporation.
M. The Housing Equation

The paragraphs below briefly discuss the possible approaches to developing a rent rate and some of the variety of other expenses that must be accounted for in developing the business plan. In addition, how many House Corporations and chapters typically divide the maintenance responsibility is discussed.

i. Rent Calculation

One of the first major items to be estimated for the business plan is the rent the House Corporation will receive from the chapter and students for the use of the chapter house. The rent can be estimated at least four different ways and you may find additional ones. To have the soundest rent estimate, all four should be considered and compared. These four are as follows:

Chapter budget available to pay rent

Since the objective is to provide the chapter with housing that will enable it to be a competitive fraternity, then the chapter’s budget must be an integral part of the House Corporations budgeting process. Consequently, the “Housing Estimates” should include a detailed review of the chapter’s budget. Once the rent is paid to the House Corporation the chapter must still have sufficient funds to operate. In other words, the House Corporation rent requirement must be balanced in with all the chapter’s other operating expenses.

Section N is a hypothetical illustration used by another fraternity as one example of determining the chapter budget’s by basing the chapter’s rent on method two, competitive rent levels, listed above. The analysis includes their chapter budget estimate and then the House Corporation’s financial estimates on whether the project is feasible.

Competitive rent at the university’s dormitories, fraternity houses, apartments, etc.

Contact the university or use their web site to determine the cost of comparable living in the dormitory. As mentioned previously if it is financially possible a good goal is to set a level less than the comparable dormitory space. For example, one Theta Tau House Corporation while reviving the House Corporation set a goal of maintaining their rent at a 90 percent level of the comparable dormitory single or double room with a hallway bathroom and no air conditioning.

The rates for typical apartments and other living arrangements like rooming houses, etc., should be determined either from realtors or visiting such facilities. Be sure to determine if utilities and other expenses are included in the costs quoted or not. This will be important in comparing rents plus discussing rent levels with the chapter to give them a realistic comparison and understanding.

Rent necessary to balance the House Corporation’s budget vs. other expenses and incomes

This method involves first determining the estimates of all other income and all expenses for the House Corporation. There will be a shortfall of income. The difference in income and expenses is a minimum level of rent for the house. To allow for higher vacancy rates, extra maintenance expenses, etc., an additional amount will probably have to be added to the rent amount as mentioned earlier in this manual. Although this method seems the most sensible because the House Corporation budget will balance it could unknowingly bankrupt the chapter if the other three approaches are not examined.

“Rule of thumb” for the annual rent income expected given house market value –
Local commercial realtors should be able to provide information on the current annual rent to expect from a rental house in your city. This usually is a percentage of the house’s market value. The calculated amount may or may not include utilities, so be sure to be clear with your source on exactly what is included. Comparing this amount with the resident capacity is another method to calculate the potential rent for the chapter and per student resident.

Although it seems like a lot of extra work all four of the methods discussed above should be examined to provide the best estimate of a workable and fair rent level.

**ii. Mortgage Payment**
The Annual Mortgage Payment may be determined by the use of any standard mortgage interest payment tables or computer financial program provided the following facts are known:

- The value of the property (land improvements) less the down payment in cash, land, etc. equals the mortgage principal (amount) needed.
- The mortgage term in years.
- The mortgage interest rate.

There are online mortgage calculators at sites such as [www.bankrate.com](http://www.bankrate.com).

**iii. Other Financial Arrangements**
Payments on Other Financial Instruments or Arrangements such as bonds or contracts for deed, etc., that might be used can be determined through consultation with bankers, financial advisers, real estate brokers, and even the Theta Tau Central Office.

**iv. Annual Taxes, Insurance, and Maintenance**
The annual taxes, insurance and maintenance may all be determined rather accurately by consulting local sources. For example, an appraiser, the county assessor and/or a realtor can provide reasonably accurate estimates of the annual real and personal property taxes and real estate maintenance costs in the area for a given facility of known age, construction, quality and use. This information is now commonly available in many states via the county auditor’s web site. Likewise, a local insurance agent or broker can give a close estimate of the annual cost of insurance or an estimate can be obtained through the resources of the Central Office of Theta Tau such as the James R. Favor Company. Information like maintenance costs may also even be obtained from other House Corporations within the fraternity at similar sized universities or possibly other fraternity’s House Corporations at your university, depending upon how helpful or competitive they are.

**v. License and Inspection Fees**
In many university cities a rooming house license, city health license, fire department inspection license, or something similar is required. This usually involves applying for a license and then annual inspections plus payment of a license fee annually.

**vi. Maintenance Responsibility**
Relative to maintenance, the housing corporation and active chapter need to establish a policy, satisfactory to both, fixing maintenance responsibility. The following is an example policy used by some House Corporations and chapters.

HOUSE CORPORATION – the House Corporation covers major maintenance such as roof repair, plumbing, furnace and whole house air conditioning, kitchen equipment (stove, dishwasher and
refrigerator), exterior painting, replacement of furniture due to normal wear, parking lot blacktop, and the lawn sprinkler system.

CHAPTER – the chapter is responsible for interior painting (colors pre-approved by House Corporation), loss of dishes and silverware, all damages to the interior or exterior of the house, damage to furniture other than normal use, repair of any equipment misused, repair and/or replacement of clothes washer and dryer, plumbing problems caused by misuse, and replacement of lawn and shrubs not cared for properly. Many chapters have the members, both live-in and live-out, pay a damage deposit. The damage deposit is reserved for all repairs for which the chapter is responsible. Other House Corporations simply bill the chapter for any of the above expenses the chapter and / or its members do not pay.

A $100 deductible for all maintenance type of expenses is used by many House Corporations and chapters. Thus, real and personal property maintenance type of expenses costing $100 or less are to be borne in full by the active chapter.

Real property maintenance expenses over $100 are paid based on the pre-established rules defining responsibilities. Any real property maintenance must have the prior approval of the building corporation.

vii. Furnishings and House Equipment
The payments on furnishings, such as furniture, fixtures, equipment, mattresses, silverware, dishes and kitchen equipment, to initially equip the house also have to be considered. The total cost of any additional items of this nature needed and the total payment required must be determined and added to the annual costs. Bids from suppliers are useful in generating the necessary information.

N. Hypothetical Illustration

The following hypothetical illustration is based on an analysis conducted by another fraternity when a chapter house was built in 1992 and expanded in 1993. The analysis includes their chapter budget estimate and then the House Corporation’s financial estimates on whether the project is feasible. The “rent expense” for the chapter is the House Corporation’s income (House Corporation building fund receipts should not be included in operating revenue estimate). Since all fraternity chapters may not have full services, such as meals provided by a house chef, the chapter’s monthly operating budget should be divided into three categories (1) House Maintenance (which includes rent); (2) Board (Food and labor costs for the cook); (3) Other (dues and fees for those in or out of house).

The major expenses for the chapter in each category are: (Category 1) rent, utilities, maintenance, and house supplies , (Category 2) food, labor costs for the cook, and specialized kitchen equipment, and (Category 3) fixed expenses of rush, social, dues, pledged fees, insurance, initiation fees, etc. Category 2, board, would be eliminated if a full service house is not contemplated. This condition would occur if the chapter house did not have enough residents to afford board, consists primarily of apartments with kitchenettes, or there is a planned program for providing food service through the university via “meal cards, etc.”. The House Corporation’s estimates must encompass all these categories. Total cost of chapter house including all furnishings and the purchase of adjacent property for expansion = $435,000. Chapter house will accommodate 24 actives (maximum capacity). Projections are based on 20 actives living in (15% vacancy rate) and 20 members out of the house. All 12 month expense items are prorated over 9 months.
The key element of the estimate is the Projected Rent (PR) paid by each student to the chapter each month. Projected Rent (PR) = [Projected rent per active live-in (PR1)] + [projected rent per active live-out (PR2)].

<table>
<thead>
<tr>
<th>(PR1) (Projected Rent per active live-in)</th>
<th>(Competitive Chapter Housing Live-in Charge)</th>
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</thead>
<tbody>
<tr>
<td>$625.00 per month</td>
<td>($625.00 per month for 9 months).</td>
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<tr>
<td></td>
<td>(University charge for room and board = $685.00 per month.)</td>
</tr>
<tr>
<td>$230.00 per month</td>
<td>(Category 1 items – pro-rata of heat, elect., maintenance, water, sewer, garbage disposal, basic phone costs, cable, and internet costs)</td>
</tr>
<tr>
<td>$155.00 per month</td>
<td>(Category 2 items - Chef = 75.00 per month, Food = $80.00 prorata per month)</td>
</tr>
<tr>
<td>$32.00 per month</td>
<td>(Category 3 items - General Fraternity dues = $12.00 per month; fees = $9.00 per month; rush and social = $11.00 per month).</td>
</tr>
<tr>
<td>$208.00 per month (HB1)</td>
<td>(Balance available to Housing Corp.)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>(PR2) (Projected Rent per active live-out)</th>
<th>(Acceptable Chapter Live-out charge - governed primarily by realistic assumptions of the live-out members use of the chapter house, required chapter dinners, fixed expenses and rent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$65.00 per month</td>
<td>(Category 1 items - prorata of heat, elect., maint., water, sewer, garbage disposal, basic phone costs, cable, and internet costs)</td>
</tr>
<tr>
<td>$10.00 per month</td>
<td>(Category 2 items – pro-rata cost of chef and food.)</td>
</tr>
<tr>
<td>$12.00 per month</td>
<td>(Category 3 items - General Fraternity dues = $12.00 per month; fees = $9.00 per month; rush and social = $11.00 per month).</td>
</tr>
<tr>
<td>$32.00 per month</td>
<td></td>
</tr>
<tr>
<td>$11.00 per month (HB2)</td>
<td>(Balance available to Housing Corp.)</td>
</tr>
</tbody>
</table>

Total projected student rent equals PR1 + PR2 and the total balance available to the House Corporation as rent equals HB1 + HB2.

<table>
<thead>
<tr>
<th>Total Available House Corp Rental Income</th>
<th>20 x $208.00 x 9 = $37,440</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 x $11.00 x 9 = $1,980.00</td>
<td></td>
</tr>
<tr>
<td>Summer Rent</td>
<td>$100 per person x 5 x 2 months = $1,000.00</td>
</tr>
<tr>
<td>Building Fund:</td>
<td>$100 per pledge x 14 pledges per year = $1,400.00</td>
</tr>
<tr>
<td>Total Income Available to House Corporation</td>
<td>$41,830.00</td>
</tr>
</tbody>
</table>

The key here, of course, is **projecting** the cost categories. If you are simply budgeting for an existing chapter house for the purpose of better operations and building a fund for future expansion or renovation, projections are simple since you already have a record of the expenses. If you are budgeting for a new or remodeled house, projections become a serious exercise in estimating costs.

Once you have determined the total projected rent income (HB1 + HB2) for the House Corporation, you can establish the remainder of the House Corporation budget. The objective is to have the rent income cover loan payments, insurance, maintenance (not covered by the chapter), and a reserve for major maintenance, or depreciation. If depreciation cannot be considered the reserve fund must be sufficient to build a comfortable cushion. If there is room to add a few hundred dollars to help actives get to the biannual convention or participate in leadership academy, this should also be budgeted. Above all, the objective should be to have all costs covered with a vacancy factor of at least 10
percent. If the house runs full, you can either rebate on a quarterly or semester look-back, or simply put the surplus in savings to be used for improvements or student assistance, etc.

<table>
<thead>
<tr>
<th>House Corporation Facility Costs</th>
<th>$ 435,000</th>
</tr>
</thead>
</table>

**Financing Structure:**
- Bank loan 15 year amortization at 9.8%: $170,000
- 13, $5,000, 10% XYZ Bonds: $65,000
- Investment made by one Alumni: $200,000
- **Total**: $435,000

<table>
<thead>
<tr>
<th>Housing Board Corporation Annual Expenses:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$170,000 Loan</td>
<td>$ 21,614</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$ 2,300</td>
</tr>
<tr>
<td>Fire Insurance</td>
<td>$ 2,400</td>
</tr>
<tr>
<td>XYZ Bond Interest</td>
<td>$ 6,500</td>
</tr>
<tr>
<td>Maintenance</td>
<td>$ 1,500</td>
</tr>
<tr>
<td>Reserve, major repairs &amp; loan retirement</td>
<td>$ 7,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 41,314</td>
</tr>
</tbody>
</table>

*Note: The reserve is used in lieu of depreciation.*

As indicated, the projected income should equal or exceed the projected expenses. Under the given circumstances, it does, and a “Go” on the project is indicated. Had a “No Go” been the result, the number of possible changes in the factors of the equation is infinite -- limited only by the time and imagination of those contemplating the project. However, the equation must work out before a project should be undertaken! Examples of possible changes would include the following:

- Even though the current house bill and the current rent are given, the projected facility, due to greater quality, may require fewer dollars for heat and minor maintenance, both of which should be chapter responsibilities, and would, hence, reduce the current amount on which the chapter needs to operate. In this regard many older brick and stone fraternity houses are energy hogs. Retrofitting to reduce energy consumption and loss can be costly, but so can skyrocketing costs for energy expenses. Also, if the new facility holds more students, there will be savings, up to a point, in such items as the cost per month per student to pay the cook. (If the new facility is sufficiently large though, two cooks may be needed and this should also be taken into account.)

- The analysis may be changed by increasing the number of months the house is used or increasing the average number of students living in the house over the months it is used. Extreme care should be taken in these considerations as summer use has often proved more costly than beneficial, and it is probably wishful thinking to assume that the vacancy and collection loss will be less than 15 percent on the average.

- There are a number of possible ways to reduce the mortgage payment.
  1. Decreasing the mortgage needed from $170,000 to a lower number.
  2. Increasing the number of years from 15 to 25 would reduce the mortgage payment to $18,251.
  3. Decreasing the interest rate from 9.8% to 9% decreases the mortgage payment for a $170,000 loan to $20,691 (15 year amortization).
• The annual tax element is not usually subject to change. However, if it is significantly out of line with the taxes being charged similar properties in the area, the assessment may be appealed to the county board of equalization or similar board. The appeal should be handled by an appraiser, lawyer, realtor, or other professional experienced in handling such appeals.

• The annual insurance element is also virtually a given. It would be wise to secure bids on comparable coverage from several competent professional agents or brokers in order to test the market. Infrequently substantial differences in cost will be found, as companies can take differing views on the risk inherent in an exposure unit. It is also wise to consult a professional agent or broker, if the corporation is contemplating building. The inclusion of such items as an automatic fire extinguishing system in the kitchen hood and vent, or an automatic house sprinkler system at the time of construction can be reasonably low in cost and beneficial when compared to the present value of the savings in insurance rates which will accrue over the life of the structure.

• The annual maintenance element depends mainly on condition, quality, age and use. As discussed, much can be done to reduce maintenance costs via quality construction. For example, is it cheaper to pay the extra amount needed to install permanent vinyl, brick or stone siding than to install and maintain traditional wood siding? Most appraisers, architects or realtors could make the estimates and present value calculations necessary to answer the question.

Note that while depreciation is included in the above equation, there are acceptable arguments that it may not be necessary. Including depreciation could result in a “No Go” situation. If this is the case, depreciation can be eliminated provided there is a funded maintenance program and the building fund fees are set aside and not used. Some of the arguments in favor of eliminating depreciation for the formula are:

• Depreciation in recent years has been largely, if not completely, offset or exceeded by appreciation. It is unlikely, however, that the boom in real estate values will continue. In fact, many predict a crash in the housing market.
• A good maintenance program tends to preserve, and thus extend, the economic life of the building.
• The mortgage payment, in almost every conceivable instance, will be made over a shorter period of time than the economic life of the building. (The mortgagee, unless it makes a wrong decision, will make sure of the above.)
• The building up of equity via mortgage payments will invariably exceed straight line depreciation over the structure’s economic life.
• Once the mortgage is paid off, the amount of the mortgage payment or a portion thereof, may be allocated to set up a reserve for depreciation so that in the future, when the structure is no longer physically sound or functionally desirable, it can be extensively renovated or replaced.
• Possible depreciation errors may be compensated for by obtaining a mortgage to facilitate the replacement.

O. Professional Help

As can be seen, there are many questions which must be answered that are beyond the education, training, experience and competence of most corporate boards. The use of outside professional help, not economically interested in the project, is a key resource and necessity before any major expenditures are made. Architects, contractors and Realtors with a possible future monetary interest in
the project should not be hired to do a study of the project’s feasibility. Probably the most logical person to help undertake the feasibility study would be a professional appraiser. The designations, ASA of the American Society of Appraisers, MAI of the American Institute of Real Estate Appraisers, or SREA of the Society of Real Estate Appraisers, are recognized symbols of professional attainment and competence in the appraisal field. The corporate board would be well advised to hire a person with one of the designations above or its equivalent. In addition, when a specific existing building is being considered for purchase or lease a professional consulting engineer should be hired for a complete inspection of the structure, heating and air conditioning, plumbing, etc. This should include recommendations on required repairs and any problems the facility will have meeting local codes.

P. Obtaining Financing

i. Overview
Even a “go” situation based on proven financial figures and a good loan prospectus, is no guarantee whatsoever in today’s market that any financial institution or private seller will be enthusiastic about making a fraternity or sorority a loan. In fact, anyone spearheading a building project should be prepared to be turned down time and again in their search for a loan. This is when a strong banking relationship between local bank officials and alumni can make a difference.

The following factors singly or in combination all tend to improve the chances of securing a loan:

• A very low ratio of loan to completed project value; i.e., the building corporation wants to borrow $100,000 to renovate a sound older house worth $400,000 including land, before renovation and $500,000 after. Resulting loan ratio = $100,000 loan / $500,000 completed project value, or 20%.

• The House Corporation has significant savings in a building fund or an individual, organization, or alumni fund drive can come up with a significant amount of cash; the corporation owns land worth $50,000 with an old non-restorable house on it and wants to tear it down and replace it with a new structure at a cost of $300,000. Also, $125,000 in additional cash or savings is available to the corporation. The loan ratio = $175,000 loan / $350,000 completed project value or 50%. The other $175,000, of course, comes from the $50,000 land value and $125,000 in cash.

• The alumni of the chapter and alumni of other chapters interested in helping are willing to sign personal and/or corporate loan guarantees equaling all of or totaling a significant portion of the loan being sought by the corporation and signed for by the designated signing officers of the corporation. In virtually no instance today will a small non-profit corporation’s credit alone be good enough to secure a large loan. Those spearheading the drive to improve the chapter’s housing should prepare the alumni early for the possible need for their personally guaranteeing and being virtually unconditionally liable for X dollars of the loan.

• The old adage, “It’s not what you know, but who you know”, still holds today to some extent. However, in securing a fraternity loan, it should probably be restated that you both have to know what you are doing and also know of a powerful individual in a financial institution or a private seller who is willing to help you. In this regard, contacts who are on your side at the executive vice president, president, board of directors or commercial loan committee level can help you succeed where others have failed. Unfortunately, all too often, chapter neglect of alumni, especially older influential alumni, may be the very reason for continued failure to secure financing. Fortunately, this problem can be solved by concerted chapter effort over time.
ii. Theta Tau National Fraternity Resources
Limited term and dollar amount loans are available from National Fraternity to help a House Corporation through a short term period of need. As with any commercial loan, the purpose of the loan and the organization’s financial resources must be sound and acceptable. These loans are typically only sufficient for house improvements, not sufficient to buy or build a house.

iii. Housing Notes
Housing Notes are a program that can be developed for annual donations from alumni. Some House Corporations solicit a commitment from active Brothers to donate to the House Corporation after graduation. These commitments are secured via the execution of a “housing note” typically by senior members of the Chapter prior to graduation or all actives on the day of initiation.

iv. Donations
Donations can be solicited continuously from the alumni base of the Chapter. It may be more effective to solicit donations for a particular renovation project or during a particular event (e.g.: Homecoming). House Corporations are for more successful than chapters in soliciting contributions from alumni since the donor has stronger assurance that donations will be used as intended for projects or improvements rather than for common operating expenses.

v. Bequests
Bequests are a post-mortem donation from an alumnus. Alumni may choose remember their Chapter in their will and testament and these donations can be substantial.

4. House Corporation Operation

A. Insurance Considerations
Every House Corporation must give serious consideration to the insurance it coverage needs and the costs. The paragraphs below provide an overview of the insurance needs and the National fraternity’s insurance program. In addition, a section below reviews the House Corporation and chapter member’s responsibilities in reporting and handling losses, accidents, or claims. Also, the Appendices include nine documents from the James R. Favor Company, who handles the Theta Tau insurance program, that provide fairly detailed information on needed insurance and many areas of risk management.

i. The Theta Tau Insurance Program
The Centrall Office of Theta Tau has established an insurance program with the James R. Favor and Company. The programs provide the various insurance coverages important to the operation of a House Corporation and a chapter house.

There are nine key areas of insurance coverage: (The national Fraternity’s insurance program does not necessarily include all of the options shown)

1. Commercial General Liability
2. Hired & Non-owned Automobile Liability
3. Excess Umbrella Liability
4. Directors & Officers Liability
5. Property coverage of property owned by the Fraternity or Sorority
6. Equipment Breakdown, i.e. boilers, heating, refrigeration or air conditioning systems, and other house association or chapter owned equipment
7. Difference In Conditions, i.e. protection against specific types of potentially large or catastrophic losses such as Earthquake and Flood
8. Fidelity Bond
9. Travel Accident for persons traveling on behalf of the Fraternity

These areas are abstracted from and summarized in the material provided to Theta Tau National Fraternity by the James R. Favor Company in Appendix J. Please read the material in Appendix J carefully and use it in quoting and establishing an insurance program.

A House Corporation and chapter can obtain their insurance coverage via these programs at the James R. Favor and Company. In general, from many chapter’s experience insurance obtained via the fraternity insurance program has proven to be more economical than purchasing the same insurance from outside sources due to the fraternity group rates. Many insurance companies do not have the background or even want to provide insurance coverage for fraternity / sorority houses. Also, some local insurance companies will provide coverage but only at excessively high rates for the appropriate coverage or sell a policy that will not actually cover a fraternity house or pay off if there is a claim.

The information contained in Appendix J is from material the James R. Favor Company has prepared and provided to the fraternity. This insurance coverage information is copyrighted by The James R. Favor Company. Copies of the complete documents can be obtained from the Theta Tau Central Office. The material was developed to address the basic information questions most commonly asked by Fraternities and Sororities, their officers, House Corporations, chapters, and volunteers about their National Insurance & Risk Management Program. But as their disclaimer states the basic information is for information uses only, the actual insurance policies that exist or is being quoted must be consulted.

James R. Favor disclaimer notice:

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ii. Reporting Loss, Accident, or Claims, and Claim Duties
The following section, quoted from the James R. Favor and Company material in Appendix J on reporting any loss, accident, or claim to the insurance company is extremely important and must be followed.

Any loss or claim that may involve the protection afforded by your insurance program should be reported promptly. Prompt reporting often prevents minor claims from becoming major problems. Failure to report claims promptly violates one of the conditions of your insurance policy and could relieve the insurance company from the responsibility for payment of an otherwise valid claim. If your insurance is obtained through the fraternity program the claim should be promptly reported to the James R. Favor & Company.
A telephone call will begin the claim service process. If written reports are necessary, they should be forwarded as soon as possible. Once the initial report is received, claims adjusters from the nearest office of the insurance company or independent adjusters from your local community will be assigned as necessary. Please make everyone concerned aware of the following important duties regarding claims.

**Your General Claims Duties**

- **Report Claims Promptly To:** James R. Favor & Company, 14466 East Evans Avenue, Aurora, Colorado, 80014-1409. WATS (800) 344-7335 • TEL. (303) 750-1122 • FAX (303) 745-8669 or your insurance company if not using the fraternity program.

- **Emergency Medical Treatment For Injured Persons:** As necessary, secure appropriate emergency medical attention for any and all injured persons.

- **If Suit Is Filed Or Legal Process Served:** If a suit, legal process or claim notice is served upon anyone, immediately notify and forward copies of the suit materials to James R. Favor & Company, your organization, and the insurance company claims adjuster.

- **Do Not Admit Liability, Accept Responsibility Or Make Public Statements:** Your insurance policy requires that no one shall, except at their own expense, make any payments, assume obligations, or incur any expense other than first aid. Only the insurance company is authorized to accept responsibility, pay for repairs, defend or otherwise settle a claim.

- **Cooperate With The Insurance Company:** As requested, authorize the insurance company to obtain and inspect necessary records and other information. Cooperate with the insurance company in the investigation, defense and settlement of all claims.

- **Assist With The Insurance Company’s Rights:** As requested, assist the insurance company in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which your insurance applies.

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**B. House Rentals and Purchases**

**i. Obtaining housing**

**Location** The adage of the real estate industry of “location, location, location” applies to the selection of a chapter house as well. Safety is a concern given the fact that areas surrounding universities are typically plagued by higher crime rates than the remainder of the city. Another consideration is the proximity to the campus. Typically, prices of housing will increase with decreasing distance from campus. Proximity to campus is an important consideration from a rushing perspective and must be carefully balanced by the House Corporation. Many campuses have a “fraternity row” and it may be advantageous to try and locate housing near this area of the university area. This increases the presence of Theta Tau on campus and may provide for an easier rush process for the chapter.

**House Inspection** Prior to purchasing any house it is advised that a housing inspection (or inspections) be performed. If the chapter has any alumni that are professional engineers that are competent experts in the areas of structural, electrical and mechanical issues they may be able to
perform this inspection (depending on state laws). If not, it is recommended that a certified housing inspector be hired. It may be helpful to have local alumni with some knowledge of housing related issues (structural, electrical and mechanical) to perform a qualitative house inspection as well to identify any potential problem with the house prior to purchase. If any problems (or potential problems) are identified it may be prudent to identify alternate housing options (depending on the type of problem) or these issues may be helpful in negotiating the price of the house.

C. Lease Contracts

i. General
The contract or lease to allow a chapter member to live in the house can be handled by two methods. The first is a direct lease between the House Corporation and the member. The second is for the House Corporation to lease the house to the chapter and then the chapter to establish a contract with each member living in the house. There are pros and cons to both methods. Some factors in deciding which is best for a House Corporation include the following:

1. The House Corporation to chapter method allows for a business to business relationship and keeps the House Corporation out of the chapter’s / member’s finances. Frequently in this method the chapter is responsible to pay a certain rent per month to the House Corporation. The collection of rent monies from the members is dependent upon the chapter and its chapter to member lease contract and / or other penalties.

2. The House Corporation to member method may allow for a stronger lease arrangement and easier procedures to follow if rents are not paid or problems that could lead to eviction occur.

3. The ability or inability of the chapter and / or House Corporation to work through the university to collect past due rents and chapter fees can be a factor in which method of leasing is more desirable.

4. The House Corporation to chapter lease method can result in some lose of control of the house, its usage, and member behavior. The leases, especially the chapter to member lease, must be structured correctly to handle this area (even in this case, the House Corporation should verify that the chapter has a signed lease from each member living in the house).

In addition to the contract leasing living facilities in the house some chapters require a membership contract between the chapter and each member regardless of whether they live in the house to agree to abide by the regulations and standards of the chapter and the national fraternity. It also provides procedures and penalties if the terms of the contract are broken.

ii. House Corporation/Member Contract
The House Corporation/member contract outlines the legal obligations, financial responsibilities, and conditions under which a member may live in the chapter house. It is a contract between the House Corporation and each individual member. The contract may also include the chapter in some form. Typical housing contracts usually include the following:

1. The member’s name and home address.
2. The House Corporation’s name and address of the property.
3. The duration of the agreement, including a schedule of the times the chapter house will be open and closed, (i.e., summer, holidays, spring break, etc.).
4. The amount of the rental fee and a statement of when the money is due.
5. The amount of the board fee, if provided, and a statement of when the money is due.
6. 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.
7. Description of security deposits required or the guaranteed deposit fund.
8. Hold harmless agreements for any suit, legal action, or claim against the chapter, House Corporation, or national fraternity in the event of personal injury or property loss.
9. An agreement to abide by the regulations and standards of the House Corporation, the chapter, and the national Fraternity, including an agreement that the room and contents assigned to the member will be kept in good condition.
10. A list of any restrictions which may apply to a member’s room, (i.e., water beds, lofts, cooking appliances, refrigerators, etc.).
11. Provisions to terminate the contract in the event the member is expelled or suspended by the chapter or university/college, or simply leaves school.
12. Consent to a reasonable search of the quarters and personal property by an authorized member of the House Corporation or any law enforcement official.
13. A detailed description of the rental fees for the property.
14. Policy regarding subleasing of rooms (not a recommended procedure).
15. Policies regarding alterations to the property, usually only with prior House Corporation approval of a written proposal.
16. 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. (May consist of attaching the chapter Bylaws.)
17. Signatures of the chapter officers, the House Corporation officers, and member.

Please Refer to Appendices C to E for sample agreements.
Appendix C is a contract directly between the House Corporation and member.

iii. House Corporation/Chapter Contract & Chapter/Member Contract
The House Corporation/Chapter contract is a lease agreement between the House Corporation and the active chapter with no specific reference to the member. This contract requires the additional contract between the chapter and the member. Depending upon many local factors this method may or may not be considered as effective as the earlier House Corporation/Member contract. The contract should include the same elements discussed in the paragraphs above. Please refer to Appendices D and E for a sample contract between the House Corporation and chapter and the associated chapter to member lease contract.

iv. Chapter/Membership Contract
Chapter to active member membership contracts are used by many fraternities to specify adherence to the national fraternity’s and chapter’s regulations plus penalties if the contract is broken. In addition, they include “hold harmless” clauses in the event of injury or loss. Items such as house operating rules are often attached as exhibits.

Unlike the other contracts already discussed, a membership contract is normally between the undergraduate chapter and its member. This distinction is very important because 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 both the membership contract and the housing contract. Thus, the chapter / membership contract can be just used with all members regardless of living in the house or can be a combined membership contract and chapter to member lease to live in the house. These membership contracts usually include:

1. Member’s name and address.
2. Chapter’s name and address.
3. Description of the financial responsibilities of the member to the chapter.
4. Hold harmless agreements for any suit, legal action, or claim against the chapter, House Corporation, or National Fraternity in the event of personal injury or property loss.
5. An agreement to abide by the regulations and standards of the chapter and the National Fraternity. The regulations and standards must not be in conflict with the Theta Tau Constitution and regulations. This also includes any set of house or chapter rules. These can be included as exhibits in the contract.
6. Procedures and penalties if the terms of the contract are broken.
7. Signatures of the chapter officers and the member.

Please refer to Appendix F for a sample contract between chapter and each member regardless if living in the house. If the contract is a combined membership and lease contract then the items above must be combined with the lease items covered in the section on House Corporation to member lease and Appendices C and E.

A set of house rules should be agreed upon by the chapter and House Corporation. It is useful to reference these and adherence to them in any lease or member contract. See Appendix G for a sample set of basic house rules and Appendix J 7 in the James R. Favor and Company material for additional suggested house rules.

D. House Corporation/Employee Contract

It is possible to have any employee contracts be between either the House Corporation or the chapter and the employee (cook, housemother, live-in adviser). This is handled differently by many House Corporations. Some House Corporations feel it is better for the corporation to manage employment contracts both in terms of consistency and that the chapter already has a large enough task in managing the house and the chapter without having to deal with personnel issues and the tax filings that accompany employment. On the other hand, many chapters do manage the employment contracts, sometimes with the help of the local Greek association on campus.

Please refer to Appendix H for a sample contract between the House Corporation and a cook.

Also, regardless of whether the House Corporation or chapter hire a person be sure to consult the IRS rules and the guidelines provided in Appendix J 8 from the James R. Favor Company to determine if your employee is an employee or independent contractor. Assuming an employee is an independent contractor without thoroughly checking the rules can lead to considerable legal and financial problems.

E. Safety Concerns and Risk Management

i. Theft - university students are often targeted by thieves as “easy targets” due to a variety of reasons. It is important that this issue be recognized in the operation of the house. Appropriate
precautions should be taken and it is recommended that the issue be discussed at the start of each school year with the residents. While searching for a house it can be useful to visit the local police department to learn about crime rates and rate of police calls to neighborhoods around the university. Sometimes locating the house only a few blocks in a different direction can make a major difference in crime problems.

ii. **Fire** – a fire in or outside of the chapter house has the potential to create a catastrophic loss of life and property and every possible precaution for preventing a fire should be reviewed. Common sources of a fire include (but are not limited to): fireplaces, extension cords (faulty or overloaded), candles, incense, careless smoking and match disposal, appliances (gas-fired or faulty), space heaters, hot plates, rope lights, tapestries hung over ceiling lights, and halogen torchiere lamps. Poor housekeeping in both the general house areas and in the personal rooms contributes to many fraternity house fires. Another common problem is leaving furniture, especially couches / sofas outside where a stranger can walk by at night and start a fire in them. This has been a major source of fires at many college campus houses. See Appendix J 4 for further information on causes of fraternity house fires.

If at all possible whether purchasing or building a chapter house, be sure a sprinkler system is included. This can be more complex if purchasing an old house. Sprinklers bring a major improvement in safety and usually provide a significant decease in insurance rates. See Appendix J 5 for recommendations on planning and installing sprinkler systems.

**With or without a sprinkler system, a hard-wired and centrally/outside monitored alarm system should be considered a necessity in all chapter houses.** Outside monitoring assures quick response by emergency services, and central monitoring ensures that everyone in the house at the time of a fire is alerted to a problem (as opposed to one detector going off somewhere in a house that cannot be heard in another part of the house).

The House Corporation working with the house manager should implement a program of fire safety which includes member education, crisis preparation, self-inspection, and house maintenance.

The following Six steps are commonly recommended to implement a proper chapter fire safety program:

1. Devote an entire chapter evening meeting to fire safety in the house at least once each year and preferably once each semester. Have a local fire department fire safety officer as a guest speaker. Follow this with discussion on specific fire prevention rules and actions, preparation and actions in a fire crisis. Be sure everyone understands the above areas. Have a specific house evacuation signal that all understand and can hear or see. Remind everyone that, in case of a fire, the key is to get all people out of the house and call the fire department. Saving everyone’s life is the first concern, property can be replaced but not a person and Brother.

2. Designate a chapter member as fire marshal to work with the house manager and House Corporation to implement the house fire safety program.

3. Require as part of the chapter policy and house rules that all members support the fire safety program.
4. Require the chapter fire marshal and house manager to conduct a self inspection of the house, individual rooms, and fire safety equipment once a month. The many causes of fires listed above need to be checked for and require specific individuals to correct problems. Exit lights, smoke detectors and fire extinguishers should all be checked. It is not uncommon to find that fire extinguishers have been used for pranks or cooling beverages and then replaced without telling anyone. If the smoke detectors require batteries they should be replaced at the start of each school year in the fall. A smoke alarm system hardwired to the house electrical system and interconnected to sound all unit’s alarms is the preferred approach.

5. Have a specific deadline of say five days after the inspection in which all fire hazards noted must be corrected.

6. The fire marshal, like the house manager, should be attending the House Corporation meetings to report on adherence to or problems with the fire safety program.

The **crisis preparation** should include at least the following:

- How and when to call the fire department. (Too many people assume they can stop a fire themselves and it quickly becomes out of control before the fire department is even called. Delay often leads to tragedy. The priority should be to call the fire department and evacuate the house.)
- Plan evacuation routes and prearranged assembly points outside the house for head count. Have a designated chain of command of who will take the head count and be in charge.
- Explain how to meet the fire department and direct them to the problem area, including how to provide useful information to the fire department and information on missing chapter members.
- Establish the information and plan to notify the House Corporation, national fraternity office, and the insurance company.
- Outline a supervised salvage plan, i.e. what can or cannot be done until fire department, insurance, and House Corporation permission is received. Be sure photos are taken of all fire damage as soon as possible and before anything is removed or cleaned up.

As part of the fire safety preparation plan the routine house inspection, and general fire safety in everyday house life the following are key items.

1. The chapter house should keep the emergency exits, fire escapes, and fire doors clear of storage or trash.

2. Evacuation routes should be conspicuously posted in the house and in each room.

3. Clearly post emergency phone numbers at chapter phones. It’s amazing in an emergency how many people can not remember “911”.

4. Be sure there are fire extinguishers on every floor and they are clearly marked.

5. Be sure members have been instructed on how to use the different types of fire extinguishers.

6. Be sure smoke detectors are properly located and always functioning.
7. A rigid rule should be adopted that prohibits fire doors from being wedged or propped open.

8. Rules against and fines should be established for any unauthorized use of the fire safety equipment or disabling any smoke detection equipment.

9. Party decorations should be non-flammable and not allowed to block exits.

10. After parties if smoking is allowed, especially check for cigarette butts behind and in couches and chairs or on carpets.

11. Any remodeling should be reviewed for affects on fire safety.

12. Inspect the exterior of the house and remove all trash, debris, furniture, etc that can be set aflame by passersby, vagrants, etc.

13. Keep outside trash receptacles away from the house and garages.

iii. Assaul t – assault may be a concern from the local criminal element or from competing fraternities or organizations. It is suggested that any and all instances of assault be referred to local law enforcement. Issues with competing fraternities or organizations should also be referred to the university, the intra-fraternity council (if applicable) and the House Corporation or alumni board of the competing fraternity.

The chapter must also understand that any case, suspected case, or reported case of assault or rape in the chapter house by a visitor or a member upon anyone, member or visitor, must be reported immediately to local law enforcement officials and then should be followed up with notification to the House Corporation and national Fraternity.

iv. Death and Injury – death and injury in the chapter house may result from a number of causes and may result in litigation. Discussion on prevention and insurance issues are provided elsewhere in this manual.

v. House Keeping – some basic housekeeping issues can be helpful in terms of loss prevention. It is recommended that the House Corporation work with the chapter on establishing basic house rules and policing these issues. The condition of the living quarters and the overall chapter house property must be attractive to students. Obviously the common areas should be tastefully furnished in a contemporary design and rules should be set in place so the chapter understands and enforces the rules. This is especially true as to food and beverage eating in the common areas, routine daily and weekly cleaning of those areas, other housekeeping chores, and minor maintenance tasks. The house rules should be presented to each resident at the time the contract is signed. A set of sample house rules are included in Appendices G and J 7.

Many of the items mentioned in the fire prevention area above should be included in the house rules. In addition safety items such as keeping cords and wires off the floor in any location where they could be a trip hazard. All fire exits and paths of egress should be kept clear at all times even in individual rooms.
vi. **Security** – the House Corporation needs to evaluate the appropriate types of security to be used at the house. The utility of combination locks (consider changing the combination each semester) versus key locks (consider re-keying the door at least yearly) and the associated costs with each of these options should be discussed. The House Corporation may also want to consider an electronic security system which integrates security, fire, smoke and other safety issues with a security company.

vii. **Use of National Resources for Risk Management Training** – the Central Office has available resources available for training House Corporation members and chapter members on risk management issues. Please contact the Central Office for additional details.

F. **House Mother, Maid Service and Resident Adviser Considerations**

i. **House Mother** – a house mother can act in differing capacities within the chapter house. This person could be a “live-in” employee that provides some level of “round-the-clock” supervision as well as cleaning and cooking duties. This person could also be hired to perform only limited cooking duties. For example, lunch and dinner 5 days per week. A number of other combinations of service can be determined as well. A house mother can help with the enforcement of House Corporation policies and can help to identify operational changes that may be helpful. Having an employee such as a house mother will carry financial, insurance, and benefits issues that need to be considered. If the house mother is providing food service to the chapter it is suggested that the chapter elect/appoint a “steward” to be the point of contact with the house mother. This steward should be the only chapter member to make requests of the house mother with regards to food service. The steward should also interact with the House Corporation to report on any problems or issues with the house mother’s food service. A house mother living in the house also reduces the likelihood of other Risk Management issues (related to alcohol) mainly by her presence.

ii. **Maid Service** – maid service is a way to provide a level of service to the chapter house that is diminished from the level of service provided by a house mother. A maid service can provide a degree of cleanliness in the chapter house that would not likely be achieved by the participation of the chapter. This service may be more desirable than a house mother for a variety of reasons. Advantages of a maid service include: the service is an independent contractor and does not carry the insurance and benefits burdens that a house mother would carry, (See Appendix J 8) the financial burden to the House Corporation is less than that of a house mother, and a maid service may be able to provide a higher level of cleaning than a house mother would have time for. The House Corporation may consider supplementing the services of a house mother with a maid service. An obvious disadvantage of a maid service is that the level of supervision within the house is severely diminished.

iii. **Resident Adviser** – a resident adviser could be an alumnus of the chapter who is a graduate student still in school. An undergraduate student could be the resident adviser, however, this member may have more difficulty in establishing authority and with handling social interactions with the remainder of the chapter. This resident adviser may be compensated with waived or reduced room and/or board as well as a small stipend. A resident adviser may be an inexpensive way to supplement or supercede the use of a house mother and/or a maid service.
G. Interactions with Chapter and Chapter Adviser

i. Electronic Mail – Electronic mail (email) is by and far the most convenient way to communicate with the Chapter and Chapter Adviser. One thing to keep in mind, however, is the need to maintain a current list of e-mail addresses for the student members. Delegation of this task to the Chapter is an efficient way of maintaining this list as the Chapter will likely have a need for a current list as well. When communicating with the Chapter by e-mail it is important to remember the age of the student members and their strengths and weaknesses. Writing a business style e-mail to a group of college-age students may not be as effective as a casually written e-mail with definitive instructions. Tone is important when addressing the student members and this is an issue that is difficult to address with e-mail. Comments are often made in email that a Brother would never say or never say so face to face.

ii. Periodic Inspections of the House – Periodic inspections of the House are an excellent tool for interacting with the Chapter. These inspections let the Chapter know that the House Corporation is not an “absentee landlord” and that the rules that have been established for the house are a serious issue. In addition, these inspections can be a useful exercise for keeping on top of maintenance, repair and life safety issues. It may be helpful to develop a check list for inspections. The House Corporation is strongly encouraged to transmit inspection reports in written form (while retaining a copy for itself). These check lists could include a varying amount of detail based on the inspection interval (weekly, monthly, etc.). A specific checklist is included—see Appendix Item. Some key items that you may want to include on a checklist are as follows:

1. Life Safety – fire extinguishers, smoke detectors, fire alarms, emergency lighting, emergency exits, locks, surveillance equipment, etc.
2. Maintenance – appliances in working order, physical plant equipment (furnace, water heater, etc) in working order and up to date on regular maintenance, etc.
3. Repairs – plumbing leaks, roof leaks, broken windows, carpet damage, etc.
4. Housekeeping – general cleanliness and house appearance, appliances, and issues like electrical items that affect house safety. See previous section, 4.C.ii., on fire prevention concerns.

iii. Discussions on improvements and construction issues – Involving the Chapter with discussion on improvements to the house and construction issues can provide several benefits. These discussions:

1. Provide the Chapter with a vehicle to express their concerns about items which need attention that the House Corporation may not be aware of.
2. Allow the Chapter to participate in the process of improving and maintaining the house to allow for “buy in” from the Chapter.
3. Demonstrate to the Chapter how their rent money is being spent and the cost associated with maintaining and improving the house.
4. Allow the Chapter to assist the House Corporation with prioritization of projects. This will allow the House Corporation to be responsive to the items that the Chapter feels are important.

iv. Lock-ins – A lock-in is a meeting or workshop that is scheduled with the Chapter either at the Chapter House or in an alternate location. The House Corporation should solicit input from the Chapter about what topics they would like to cover (e.g.: finances, construction projects, alumni events, etc.). It is also helpful to have group activities that focus on team building or leadership. Use of Theta Tau memorabilia as prizes for these activities is effective. Providing snacks and a lunch also makes the event more appealing to the student members. Another idea is to have the student members
vote on who they think was the best participant, providing a nice piece of Theta Tau memorabilia or a gift certificate is a nice way of thanking this member for his/her efforts.

v. Homecoming – Your school or University may have an annual event such as Homecoming which is a highly attended alumni event. This is a great opportunity to work with the Chapter to showcase the House to alumni. Some ideas include: a breakfast get together, a Chapter meeting open to alumni, a barbeque, or some sort of sporting event. This activity is a useful way for the House Corporation to interact with the Chapter and Alumni.

vi. Founders’ Day – The purpose is essentially the same opportunity as Homecoming, however, it is often an opportunity for a more formal dinner or program perhaps including an invitation to alumni.

vii. Joint Newsletters – The House Corporation can work with the “editor” of either a chapter newsletter or a local alumni association newsletter to publish news of the House Corporation’s house status, financial status, current projects, or soliciting help whether manpower for the work days or monetary support. If alumni are not kept up to date on the progress / status of the House Corporation, workday help and financial support will fade away over time. In addition, frequent updates build participation in events like Founders’ Day and social functions besides the alumni – active workdays.

viii. Active/Alumni Joint Workday Projects – Joint alumni / active workdays to make improvements or repairs on the house or yard are both an opportunity to improve the chapter house and build relations plus mentor the active members. Depending upon the skill level of the alumni and actives the projects can range from special house cleaning to items like painting rooms or windows, landscape improvements, fixing bathroom plumbing, kitchen cleanup or repairs, repairing damaged walls, or repair of electrical light fixtures. As mentioned before, the necessary skills must be available. Do not attempt projects beyond their skills and knowledge and therefore expose alumni and actives to danger. If a lunch break of pizzas or sub sandwiches is arranged it becomes an additional time for social interaction and communications. Workdays should be planned ahead of time by the active house manager and an alumni House Corporation member so the work is well planned, the teams assigned, and the supplies on hand the morning the work is to start. Usually it does not work well to try to hold board meetings the same day as the workday. Everyone’s work slows up when some part of the group takes a break for a meeting, so just make it a complete workday program to get the best results.

ix. Communications Summary – Regardless of the methods, establishing and maintaining open communications from the House Corporation to chapter officers, chapter adviser, all actives, local alumni, and all chapter alumni worldwide is absolutely essential to the long term operation of a successful House Corporation. Failure in the communications area will cause the failure of the House Corporation just as surely as a financial failure. In fact, a lack of communications will often help lead to a financial problem and failure too. Proper communications is also extremely important to establish and maintain the House Corporation’s expectations for the chapter’s operation of the house on issues such as housekeeping, maintenance, and behavior, etc.

H. Interactions with Active’s Parents

i. Establishing contact – It is important to establish contact with active’s parents as soon as possible after an active has signed a lease. Some ideas for this first contact are as follows: require a financial guaranty with the lease and require that this guaranty be signed by the active’s parents; a letter describing the mission of the House Corporation and the intent of the guaranty should be included. It is best to get the address of the parents from the active and mail this package to the parents separate
from the lease agreement executed by the student. It may be appropriate to include a copy of the lease so that the parents can review the details of the lease. It may also be helpful to include the house rules and expectations with the lease package.

**ii. Move-in Weekend** - This is likely to be the first time that many parents ever see the Chapter House. It is important for the house to be clean, all repairs to be completed and to make a good first impression. If summer residents (preferably Brothers) are in the area it is a good idea to plan a house clean up prior to opening weekend. Special attention should also be given to make sure that the grounds are well maintained. It may be worthwhile (if financially feasible) to contract with a maid company to come in prior to opening weekend and get the house is top notch working order. It may be a good idea to provide refreshments for opening weekend and have members of the House Corporation and/or local alumni be present to greet the parents.

**iii. Parent’s Weekend Impressions** – If the active’s parents did not come to campus during opening weekend, it is likely that Parent’s Weekend, if your university holds such a function, may be the first time that many parents see the Chapter House. In addition, parents that did come during opening weekend may stop back in to see the Chapter House. This is a great opportunity to make a good first impression (see above) or to reinforce a good first impression. All of the same concepts as outlined above would apply. It may also be worthwhile to plan a light brunch or continental breakfast for the Saturday or Sunday of Parent’s Weekend. This is a nice way to get the parents down to the Chapter House without requiring a great time commitment.

**I. Interaction with Alumni**

**i. Electronic Mail** – Many of the same concepts as outlined above, in section 4. G. i., apply to interactions with alumni as well. These concepts will not be repeated here. It should be noted that maintaining a comprehensive, current list of alumni is a challenging task. If the Chapter is capable it is best to task them with this duty, however, it is advisable to have an alumni work with them to help maintain this list. Alumni may be more apt to contact other alumni with updated information as the Chapter corresponding secretary is always changing. In addition, it is a good idea to pass this updated contact information along to the Central Office as alumni are not always diligent about updating their records with the Central Office.

**ii. Newsletter** - Again, many of the same concepts as outlined above apply to interactions with alumni as well. These concepts will not be repeated here. It should be noted, however, that to many alumni (especially older alumni) the newsletter is the most important form of communication with the Chapter and the House Corporation. The use of vulgar or obscene language or images will not be appreciated by many of those in your audience, and those are the precise people whose support your chapter and House Corporation need. This may be the House Corporation’s most effective means of acquiring donations from alumni. It is suggested that three newsletters per year be issued. One per semester and one over the summer. These newsletters should update the alumni base on what actions the House Corporation has taken as well as what is planned.

**iii. Homecoming** – Please see discussion above in section 4.G v.

**iv. Annual Meeting** – It is suggested that an annual meeting be held to provide a state of the House Corporation update. In addition, this is a good opportunity to conduct elections. It is advised that this meeting be held concurrent with another alumni event such as Homecoming or Founders’ Day. It is also advised that a system of proxy voting be developed as most alumni will not likely be able to travel
to attend the meeting. Minutes should be taken at the meeting and issued with the next newsletter. This meeting can also be a forum for alumni and actives to discuss the state of the Chapter House and brainstorm about ideas of how to improve the operations or condition of the Chapter House. This is also a good opportunity for the House Corporation to propose rule and policy changes.

v. Founders’ Day – Please see discussion above in section 4. G. vi.

vi. Assistance from Alumni with House Corporation on projects such as construction, yard work, house cleaning, etc. – Alumni volunteers are the most important resource for the House Corporation. Your alumni pool is likely to have a variety of skills and can be an invaluable asset to the House Corporation. Minor projects around the house may be able to be completed with the assistance of alumni volunteers. It is also a good idea for active Brothers to participate in these events so that they develop a sense of ownership of the Chapter House. Alumni may also be helpful in maintaining databases, operating a web page, or other tasks that the House Corporation needs assistance with. The only limitation is the imagination of the House Corporation and the enthusiasm of the alumni base.

J. Interactions with University or College and Engineering School or College

It is imperative that the House Corporation and the Chapter maintain a strong working relationship with the University, School, and/or College. The alumni of the Chapter may be active in some part of the academic community. These alumni or members of the House Corporation should try to identify opportunities where the Chapter and its alumni can assist the University, School, and/or College. The opportunities will vary depending on the institution and the House Corporation should work with the alumni base to review these opportunities. If possible, this task should be dedicated to a local alumni club of the Chapter.

K. Boarders

Boarders are non-fraternity members that are selected to live in the chapter house to fill unoccupied rooms. If boarders are going to be used to fill the chapter house, these people should be carefully selected. Ideally, boarders would be referred by members of the chapter. Strangers to the chapter should be avoided if at all possible. However, the rent paid by a boarder may be greater than that paid by members, and it is not unreasonable to require the semester’s rent in full prior to move-in. Experience teaches us that undergraduate, non-member Boarders are preferable as tenants than a chapter’s own alumni.

Consideration should be given to the logistics of conducting the chapter meeting, use of secret signs and other issues which the chapter may not want to share with the remainder of the university community. House Corporations are cautioned about the use of boarders as they may not have the same level of respect for the fraternity property including: the chapter house and facilities, appliances, walls, and fraternity relics. The chapter itself can avoid the House Corporation from seeking to generate additional revenue from Boarders by keeping the house full each school year.

L. Policy Development and Enforcement

It is recommended that the policies of the House Corporation be clearly laid out for the chapter and that a meeting be held at the beginning of each semester to review these policies. As new polices are developed, it is important to discuss their purpose and implementation with the chapter. Periodic inspections of the chapter house (as discussed elsewhere in this manual) are helpful to insure that
policies are being followed. Also, as discussed previously, a resident adviser or house mother may be helpful in monitoring the implementation and effectiveness of various policies. The House Corporation may need to consider fines if policies are not being complied with. Some instances may require a fine against the entire chapter (for example, an illegal party) while others may be able to be levied against an individual member (for example, destruction of property). In addition, when a resident moves out and the room is inspected if the room is unacceptably dirty or damaged a fine should be levied against that member’s security deposit.

M. Rent Collection

Timely collection of rent is of paramount importance to the healthy operation of the House Corporation. There are a number of payment plans which may be included as part of the lease agreement and they are discussed below:

1. Paid In Full (PIF) – this is the most desirable scenario and the scenario that is least used. This would be full payment of the lease agreement prior to the move in date.
2. Semesterly/Quarterly – this is the second most desirable option and allows the student to make two payments; one at the beginning of each semester (or three at the beginning of each quarter)
3. Monthly – this is the most common and least desirable payment plan and allows the student to pay the lease agreement off in monthly payments. It is suggested that the first monthly payment be due in June or July of the summer prior to the start of the semester in which the lease agreement initiates. This will allow the House Corporation to have some liquid assets during the summer months to prepare for the start of the school year, and assure that the tenant is always a month or more ahead of necessary payment.

While collection of a security deposit equal to one or two month’s rent is always advisable, it is especially important if the House Corporation uses a monthly lease (option 3 above).

It is suggested that monthly statements be provided to the student and their parents if any amount of money is due on the lease agreement. It is important to stay abreast of any delinquent payments and work diligently with the student or their parents to get back on schedule. If possible, the House Corporation should attempt to work out an agreement with the University or College to place a financial registration hold on the student if any monies are due to the House Corporation. Many institutions use this to insure timely payment of room, board or tuition. Some institutions may require that the chapter be part of IFC, PFC, or a similar organization in order to receive this benefit from the University or College. Under no circumstances should one with past due debt be allowed to move into the chapter house the next school year. In fact, those with poor payment history should be required to follow 1(PIF) or 2(Semesterly) above.

See Appendix I for sample payment plan and sample student payment agreements.

N. Utilities

Utility costs can become a significant portion of the operating costs of a Chapter House. Conservation projects can help to reduce these costs and often have a short payback period. There are “green contractors” that are certified in some states to perform evaluations of the house, however, many of these projects do not require such expertise or expense. These contractors can use infrared scanning devices and pressurization of the home to find air leaks and areas of heat loss or gain. Examples of conservation projects are provided below:
i. Insulation – chapter houses are often lacking insulation or do not have adequate insulation. Attic insulation is very easy to install and is relatively inexpensive. Existing walls can be insulated through the use of “blown in” insulation materials. It is suggested that as renovations progress that the walls be insulated as needed.

ii. Air Leaks – air leaks are a significant source of energy loss in most homes. An area that is often overlooked is around receptacles and light switches. This is a relatively inexpensive and easy project to fix. Other sources of air leaks are discussed below.

iii. Windows – loss of energy due through or around windows is typically the driving factor behind heating and air conditioning costs. Unfortunately, this is one of the most expensive conservation projects to undertake. If it is not feasible to replace a number of windows at one time it is suggested that high quality, energy conservation windows be installed on a room by room basis during renovations. A temporary measure is the use of the commercially available heat shrink plastic film kits over the window’s interior side to minimize the air leakage during the winter.

iv. Attic ventilation – attic ventilation is typically not sufficiently installed or installed incorrectly in most homes. The best and most effective type of attic ventilation is soffit ventilation combined with a ridge vent. This method is superior to all others because it provides uniform ventilation across the entire roof line and is a passive system (requiring no operation or maintenance costs).

v. Automatic sensing devices for lights – this is a surprisingly inexpensive and easy project. It is suggested that these sensors be installed in all common rooms of the house.

vi. Compact fluorescent bulbs – the capital cost of these bulbs may outweigh the monetary savings resulting from their installation, depending on the utility rates in your area. It is suggested that a simple payback calculation be performed prior to installing these devices.

vii. Low flow plumbing fixtures – low flow fixtures for showers, toilets and urinals can result in significant water savings. House Corporations should be cautioned in the purchase of any low flow toilets. It is important to purchase a toilet that is low flow but high pressure to insure that materials are effectively cleared from the vessel. Cheaper low flow models may require multiple flushes and may become clogged often. This is a self-defeating project and will cause frustration amongst the tenants.

viii. Plumbing leaks – even a slow plumbing leak can add up to thousands of gallons of water or cubic feet or natural gas being lost in a short period of time. It is important to work with the chapter to identify these leaks quickly and rectify the problem. In addition, these leaks can result in damage to the structure which will cause the House Corporation to incur additional costs.

Equipment settings and safety are an important part of chapter house operations. It is important to work with the Chapter and any employees of the House Corporation to insure that these settings are maintained. Specific examples are provided below:

i. Gas-fired appliances – it is imperative that flammable or combustible materials be kept away from gas-fired appliances. Many cities specify a certain number of feet of clear space around each gas fired appliance, often three (3) feet for example. In addition, it is important to fix any leaks associated with these appliances.

ii. Clothes dryers – the lint generated by clothes dryers is highly flammable. It is suggested that the House Corporation develop a preventative maintenance schedule for cleaning out the ventilation associated with clothes dryers. In addition, it is imperative that student members dispose of dryer lint appropriately.

iii. Water heater – it is suggested that the discharge temperature of the water heater be set at a temperature that will not allow residents to be scalded (less than 120°F). In addition, anti-scalding valves can be installed in bathing fixtures.
O. **Eviction**

Eviction is an unfortunate but necessary part of chapter house operations. A tenant’s failure to pay their rent or comply with the established code of conduct cannot be tolerated. If a resident is unresponsive to requests to comply with house rules or payments it may be necessary to proceed with eviction proceedings. House Corporations should be cautioned that laws pertaining to evictions vary from state to state and sometimes by county.

5. **Issues For Further Study**

It is suggested that this manual be re-visited periodically, perhaps every three to five years to insure that the manual is in keeping with current standards of practice. Also, additional reference materials may become available that will be helpful in improving this manual. To facilitate distributing this manual and make updates easier it is recommended the manual be kept in an electronic form available on the Theta Tau Central Office web site.

Rising insurance costs are an issue that plague the Chapters and the House Corporations of all fraternities. The only certain means to control premiums is to limit risk, and thereby minimize the likelihood of an insurance claim. The fire and safety recommendations contained in this manual are designed to do just that. Furthermore, the level of House Corporation oversight suggested will likely minimize other risks such as those associated with alcohol. Additional ideas for the reduction of these premiums while still maintaining proper coverages should be discussed and implemented as feasible.

6. **Closing Remarks**

The process of creating and operating a House Corporation requires significant effort by volunteers, however, the hard work of these volunteers will certainly leave a lasting effect on the Chapter as a whole. A well managed Chapter House will result in a tighter knit group of Brothers and enables the Chapter to share in experiences they might not have had otherwise.
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APPENDIX A
SAMPLE HOUSE CORPORATION ARTICLES OF INCORPORATION

We, the undersigned, being all of full age and citizens, have this day voluntarily associated ourselves together in order to form a non-stock, non-profit corporation for the purposes hereinafter stated. Under the laws of ________________, do here adopt the following Articles of Incorporation for such corporation.

Article I

Name

The name of the corporation is:

___________________________________

Article II

Purposes

The purpose or purposes for which the corporation is organized are to promote and foster the fraternal principles and ideals of the Theta Tau Fraternity, and to purchase, take, receive, lease, take by gift, grant assignment, transfer, devise or bequests, or otherwise acquire and hold real and personal property for a chapter house or lodge and the furnishings for the ____________ chapter of Theta Tau, located at ________________ college or university.

In furtherance of any one or more of the purposes specified above, but only to the extent permissible under Section Code 501 (C) (7) of the Internal Revenue Code of 1954, the corporation shall have the following power:

1. To have a corporate seal and to use the same by causing it or a facsimile thereof to be impressed or fixed or in any other manner reproduced.

2. To sell and convey, mortgage, pledge, lease as leaser and otherwise dispose of all or any part of its properties and assets.

3. To make contracts and incur liabilities which may be appropriate to enable it to accomplish any or all of its purposes; to borrow money for its corporate purposes; to issue its notes, bonds, and other obligations by mortgage, pledge, or deed of trust of all or any of its purposes and income, and to invest its funds from time to time and to lend money for its corporate purposes and to take and to hold real and personal property for he payment of funds still invested or loaned.

4. To elect or appoint officers and agents of the corporation and to define their duties.

5. To make, rescind and alter bylaws not inconsistent with these articles or the laws of the state, or the constitution, bylaws and regulations of Theta Tau Fraternity for the proper administration and regulation of the affairs of the corporation.
6. To cease its corporate activities and surrender its corporate charter subject to the approval of the officers of the corporation.

7. The doing of all things necessary or convenient in connection with or for carrying on said business, and the buying and selling of such real estate and personal property as may seem proper to the board of directors.

Article III

Duration

The period of duration of the corporation is perpetual.

Article IV

Names and Addresses of Incorporators

The name and address of each incorporator is:

Article V

Registered Office

The initial registered office of the corporation shall be ______________ and its registered agent of said address shall be____________________________________________________.

Article VI

The membership of the corporation shall consist of all initiated members in good standing of ______________ chapter. Alumni from other chapters may serve on the House Corporation by invitation of the board of directors.

Article VII

Directors

The said corporation shall be governed and operated by a board of directors which shall perform the duties and have all rights and authority of a board of directors under the law, as well as such other rights as are herein granted and as set forth in the bylaws of the corporation.

There shall be five to nine directors on the corporation board, and the incorporators shall constitute the initial board of directors. The election and term of the directors shall be set forth in the bylaws.
Article VIII

Limitations

The corporation does not contemplate pecuniary gain or profit incidental or otherwise to its members, and accordingly no profits will inure to the benefit of any individual. No part of any funds of the corporation shall inure to the benefit of or be distributed to its members, trustees, or officers, or to other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions and furtherance of the purposes set forth herein.

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

Article IX

Dissolution

In the event of the dissolution of the corporation, or in the event it shall cease to carry out the objects and purposes herein set forth, all the property and assets of the corporation, after the payment and satisfaction of all liabilities and obligations of said corporation then existing, shall be transferred, conveyed, and be distributed to the Theta Tau Educational Foundation either for the general fund or as a chapter designated fund.

Article X

This corporation shall be subject at all times to the Constitution, Bylaws, and Rules and Regulations of Theta Tau Fraternity, of which _____________________ is a chapter.

In WITNESS WHEREOF, these Articles of Incorporation have been executed on this ______ day of ____________, ______.

_______________________________________

_______________________________________

_______________________________________
APPENDIX B
SAMPLE HOUSE CORPORATION BYLAWS

BYLAWS
OF

______________________________________________

Article I

Offices

The corporation shall have and continuously maintain in the State of ________________ a registered office and a registered agent (whose office shall be identical with such registered office), and may have other offices within or without the State of ________________ as the board of directors may from time to time determine.

Article II

Board of Directors

2.1 General Powers. All of the business and affairs of the corporation shall be managed and controlled by the board of directors except that certain of the matters which must be submitted to and receive the approval of the board of directors must also be submitted to, and receive the approval of the executive committee defined in Article III herein. The following are the matters which must be submitted to, and receive the approval of both, the board of directors and the executive committee:

1. Annual financial statements.
2. The amendment or restatement of these bylaws or the articles of incorporation.
3. The merger, consolidation or dissolution of the corporation.
4. The sale, lease, exchange, pledge or mortgage of any substantial part of the assets of the corporation, or any contract, option or other agreement with respect thereto.
5. Any other matter which may be specified by the executive committee.
6. Such other matters as to which the board of directors determines by resolution that such submission is advisable.

2.2 Number, Election, and Tenure. The number of directors shall not be less than five nor more than nine. At the regular annual meeting, the existing directors shall elect directors for terms commencing on the first day of ____________ following such election and continuing for three years and until their respective successors shall have been elected and qualified except as provided in Section 2.3 of these bylaws. In addition, unless already directors by virtue of election, the president and the treasurer of ____________ chapter of Theta Tau Fraternity shall automatically be voting directors of the corporation during the times such persons occupy their offices as president and treasurer, respectively of the chapter.
2.3 **Staggered Terms.** Directors shall be divided into three groups substantially equal in number with terms expiring at intervals of one year. No director shall serve more than 2 (two) consecutive terms.

2.4 **Ex Officio Members of the Board.** The members of the board of directors may from time to time, after notice to and approval by the executive committee, appoint one or more additional persons as ex officio members of the board. Ex officio members of the board of directors shall not vote or be counted in determining the existence of a quorum.

2.5 **Regular Meeting.** A regular annual meeting of the board of directors shall be held in _______ of each year, at such time and place as shall be designated by the president or vice president in the notice or the meeting for the purpose of electing officers and members of the executive committee and for the transaction of such other business as may come before the meeting. The board of directors may provide by resolution for the holding of additional regular meetings.

2.6 **Special meetings.** Special meetings of the board of directors may be called at the direction of the Chairman of the board of directors or the president, or a majority of the place either within or without the State of ______________, as shall be designated in the notice of the meeting.

2.7 **Notice.** Notice of the time and place of any meeting of the board of directors shall be given at least three days previously thereto by written notice delivered personally or sent by mail or telegram to each director at his address as shown by the records of the corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need by specified in the notice of waiver of notice of such meeting unless otherwise required by statute.

2.8 **Quorum.** Four directors present in person shall constitute a quorum for the transaction of business at any meeting of the board, except if less than such number of directors is present at such a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

2.9 **Manner of Acting.**
   1. **Formal Action by Directors.** The act of a majority of directors present in person at a meeting at which a quorum is present shall be the act of the board of directors.
   2. **Informal Action by Directors.** No action of the board of directors shall be valid unless taken at a meeting at which a quorum is present except that any action which may be taken without a meeting if a consent in writing, (setting forth the action so taken), shall be signed by each director entitled to vote.
2.10 **Resignations and Removal.** Any director may resign from the board at any time by giving written notice to the president or secretary of the corporation, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Directors may be removed from office by the executive committee without assigning any cause.

2.11 **Vacancies.** Any vacancy occurring in the board of directors and any directorship to be filled by reason of an increase in the number of directors shall be filled by the remaining directors.

2.12 **Compensation.** Directors as such shall not receive any stated salaries for their services, but by resolution of the board of directors’ expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the board.

2.13 **Procedure.** The chairman of the board of directors, or in his absence, the president, shall preside at meetings of the board of directors. The board of directors may adopt its own rules of procedure which shall not be inconsistent with these bylaws.

**Article III**

**Executive Committee**

3.1 **Election.** There shall be an executive committee which shall be comprised of ____ members, all of whom shall be elected from the board of directors and include the offices of president and treasurer.

3.2 **Powers.** The executive committee shall have those exclusive powers expressly conferred upon it by these bylaws. In addition, the executive committee, when the board of directors is not in session, shall have and exercise all of the authority of the board of directors in the management of the corporation except as such authority is limited by statute or may be limited by the resolution electing the executive committee.

3.3 **Tenure.** Each of the elected members of the executive committee shall hold office until the next annual meeting of the board of directors following his election and until his successor as a member of the executive committee is elected, unless such member shall soon resign or be removed.

3.4 **Ex Officio Members.** The board of directors may from time to time, appoint one or more additional persons as ex officio members of the executive committee. Ex officio members of the executive committee shall be entitled to all of the rights and privileges of the executive committee but shall not vote or be counted in determining the existence of a quorum.

3.5 **Meetings.** Meetings of the executive committee may be called by or at the direction of the president or a majority of the voting members of the executive committee, to be held at such time and place as shall be designated in the notice of the meeting.

3.6 **Notice.** Notice of the time and place of any meeting of the executive committee shall be given at least one day previously thereto by notice delivered personally, by mail, by telegram, or by telephone to each member of the executive committee at his address as shown by the records of the corporation. If mailed, such notice shall be deemed to be delivered when delivered in the United States mail in a sealed envelope so addressed, with postage thereon
prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any member of the executive committee may waive notice of any meeting, except where a member of the executive attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the executive committee need be specified in the notice or waiver of notice of such meeting.

3.7 **Quorum.** A majority of the voting members of the executive committee shall constitute a quorum for the transaction of business at any meeting of the executive committee.

3.8 **Manner of Acting.**

1. **Formal Action by Executive Committee.** The act of a majority of the members of the executive committee present in person at a meeting at which a quorum is present shall be the act of the executive committee.

2. **Informal Action by Executive Committee.** No action of the executive committee shall be valid unless taken at a meeting at which a quorum is present except that any action which may be taken at a meeting of the executive committee may be taken without a meeting if a consent in writing, (setting forth the action so taken), shall be signed by each member of the executive committee entitled to vote.

3.9 **Resignations and Removal.** Each of the members of the executive committee may resign from the executive committee at any time by giving written notice to the president or secretary of the corporation unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Each of the members of the executive committee may be removed at any time, with or without cause, by resolution adopted by a majority of the directors then in office.

3.10 **Vacancies.** Any vacancy occurring in each of the two elected members of the executive committee and any membership therein to be filled by reason of an increase in the number of members of the executive committee shall be filled by the board of directors.

3.11 **Compensation.** Members of the executive committee as such shall not receive any stated salaries for their services, but by resolution of the board of directors’ expenses of attendance, if any, may be allowed for attendance at each meeting of the executive committee.

3.12 **Procedure.** The chairman of the board of directors of the corporation, or in his absence, the president, shall preside at meetings of the executive committee. The executive committee may adopt its own rules of procedure which shall not be inconsistent with these bylaws.

**Article IV**

**Officers**

4.1 **Officers.** The officers of the corporation shall be a president, a vice president, a secretary, and a treasurer. The corporation may, at the discretion of the board of directors, have additional officers including, without limitation, other vice presidents, one or more assistant
secretaries, and one or more assistant treasurers. One person may hold two or more offices except one person may not hold both the offices of president and secretary.

4.2 **Election and Term of Office.** The officers of the corporation shall be elected annually by the board of directors at its annual meeting. If the election of officers shall not be held at such meeting, it shall be held as soon thereafter as may be filled or new offices created and filled or new offices created and filled at any meeting of the board of directors. Each elected officer shall hold office for a term of one year and until his successor is elected unless he shall sooner resign or be removed.

4.3 **Removal and Resignations.** Any officer elected by the board of directors may be removed by the board of directors or the executive committee whenever in their judgment the best interests of the corporation would be furthered thereby. Any officer may resign at any time by giving written notice to the president or the secretary of the corporation, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.4 **Vacancies.** A vacancy in any office may be filled by the board of directors or the executive committee for the unexpired portion of the term.

4.5 **President.** The president shall be the chief executive officer of the corporation and have general overall supervision of all of the business and affairs of the corporation. His responsibilities shall include, without limitation, the following: (a) the day-to-day administration of the corporation; (b) acting as the representative of the corporation to the public, as well as to governmental and voluntary organizations; (c) making policy proposals to the board of directors; (d) long-range planning; (e) assigning overall responsibility for corporate management; and (f) reporting to the board of directors on the performance of corporate functions. The president shall be an ex officio member of all committees which may be from time to time elected or appointed.

The president may sign, with the Secretary or any other proper officer of the corporation authorized by the board of directors any deeds, mortgages, bonds, contracts, or other instruments which have been authorized to be executed except in cases where the signing and execution thereof shall be expressly delegated by the board of directors or by these bylaws or by statute to some other officer or agent of the corporation. In general, he shall perform all duties incident to the function of chief executive officer and such other duties as may be prescribed by the board of directors from time to time.

4.6 **Vice Presidents.** One or more vice presidents may be elected from among the directors and, in the absence of the president, the vice president first, and second any other elected vice presidents, (in order of their election) shall perform the duties of the President.

4.7 **Treasurer.** The treasurer shall, subject to the direction of the president, have charge and custody of and be responsible for all funds and securities of the corporation from any source whatsoever; deposit all such monies in the name of the corporation in such banks, trust companies, or other depositories as shall be bylaws; and in general, perform all duties as from time to time may be assigned to him by the president or by the board of directors. If required by the board of directors, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety as the board of directors shall determine.
4.8 **Secretary.** The secretary shall, subject to the direction of the president, keep the minutes of the meetings of the board of directors and executive committee in one or more books provided for that purpose; assure that minutes of all meetings of other committees are prepared and filed with the records of the corporation; assure that all notices are given in accordance with the provisions of these bylaws or as required by law; be custodian of the corporate records and of the seal of the corporation; assure that the seal of the corporation is affixed to all documents, the execution of which on behalf of the corporation under its seal is authorized in accordance with the provisions of these bylaws; and in general perform all duties as from time to time may be assigned to him by the president or the board of directors.

4.9 **Assistant Treasurers and Assistant Secretaries.** The assistant treasurers and the assistant secretaries, in general, shall perform such duties as shall be assigned to them by the treasurer or the secretary or by the board of directors.

4.10 **Compensation.** The compensation of the officers, if any, shall be fixed by the resolutions of the board of directors but no such resolution will create any contractual right to the continuation of such compensation for any period of time.

Article V

**Operating Committees**

5.1 **Standing Committees.**

1. **Funding and Finance Committee.** The funding and finance committee shall advise the president and the board of directors concerning policies and procedures for obtaining contributions. The funding and finance committee shall take those steps which are necessary or desirable to implement approved policies and procedures within the scope of authority delegated to it by the president and board of directors concerning policies and procedures for the financial management of the assets of the corporation including such matters as budget and investment. The funding and finance committee shall take those steps which are necessary or desirable to implement approved policies and procedures within the scope of authority delegated to it by the board of directors.

2. **Nominating Committee.** The nominating committee shall submit to the board of directors annually, during the month of August, a list of those persons whom it nominates for election as directors. The nominating committee shall also submit to each regular annual meeting of the board of directors a list of those persons whom it nominates for election as officers of the corporation. The chairman of the nominating committee.

5.2 **Additional Operating Committee.** Additional operating committees may be created and abolished by the chairman of the board of directors. Such additional operating committees shall discharge such responsibilities as may be assigned to them.

5.3 **Appointment.** The chairman of the board of directors shall appoint the members of committees from among the directors, officers, advisors, and friends of the corporation and shall designate a chairman of each such committee. The designated chairman shall appoint a vice chairman and a secretary for his particular committee.
5.4 **Ex Officio Member.** Unless appointed as a member by the chairman of the board of directors, the president shall be an ex officio member of all committees. The president may from time to time appoint one or more additional persons as ex officio members of committees. Ex officio members of committees shall be entitled to all of the rights and privileges of regular committee members but shall not vote or be counted in determining the existence of a quorum.

5.5 **Tenure.** Each member of a committee shall continue as such until the next annual meeting of the board of directors and until his successor is appointed, unless sooner removed.

5.6 **Quorum.** Unless otherwise provided in the resolution of the board of directors approving the appointment of the members of the committee, a majority of the whole committee shall constitute a quorum.

5.7 **Manner of Acting.**

1. **Formal Action by Committee.** The act of a majority of a committee present at a meeting at which a quorum is present shall be the act of the committee.

2. **Informal Action by Committee.** No action of a committee shall be valid unless taken at a meeting at which a quorum is present except that any action which may be taken at a meeting of a committee may be taken without a meeting if a consent in writing, (setting forth the action), shall be signed by each member of the committee entitled to vote.

5.8 **Removal.** Any member of a committee may be removed by the chairman of the board of directors whenever in his judgment the best interests of the corporation shall be served by such removal.

5.9 **Vacancies.** Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

5.10 **Minutes.** The secretary of each committee shall prepare minutes of each meeting and forward copies thereof to the president and the secretary of the corporation.

5.11 **Expenditures.** Any expenditure of corporate funds by a committee shall require prior approval of the board of directors.

5.12 **Procedure.** Each committee may adopt its own rules of procedures which shall not be inconsistent with the terms of its creation and these bylaws.

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**Article VI**

**Contracts, Loans, Checks, Deposits, and Gifts**

6.1 **Contracts.** The board of directors may authorize any officer or agent of the corporation, in addition to the officers so authorized by these bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.
6.2 **Borrowing.** No loan shall be contracted on behalf of the corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the board of directors. Such authority may be general or confined to specific instances.

6.3 **Checks, Drafts, Etc.** All checks, drafts, or other orders for the payment or money, notes, or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the board of directors, such instruments shall be signed by the treasurer or an assistant treasurer and countersigned by the president or such other person or persons as designated by the board of directors.

6.4 **Deposits.** All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the board of directors may select.

6.5 **Gifts.** The board of directors may accept on behalf of the corporation any contribution, gift, bequest, or device for the general purposes or for any specific purpose of the corporation.

**Article VII**

**Miscellaneous**

7.1 **Books and Records.** The corporation shall keep correct and complete books and records of account, and the minutes of the proceedings of the board of directors and executive committee. Copies of the minutes of the board of directors and of the executive board of directors and the executive committee.

7.2 **Fiscal Year.** The fiscal year of the corporation shall begin on the first day of January and end on the last day of the following December in each year unless otherwise determined by resolution of the board of directors.

7.3 **Seal.** The board of directors shall provide a corporate seal.

7.4 **Loans to Officers and Directors Prohibited.** No loans shall be made by the corporation to its officers or directors. The directors of the corporation who vote for or assent to the making of a loan to an officer or director of the corporation, and any officer or officers participating in the making of such loan, shall be jointly and severally liable to the corporation for the amount of such loan until the repayment thereof.

7.5 **Additional Organizations.** The board of directors with the approval of the executive committee, may authorize the formation of such auxiliary organizations as would in the judgment of the board assist in the fulfillment of the purposes of the corporation.

7.6 **Rules.** The board of directors may adopt, amend, or repeal rules, (not inconsistent with these bylaws), for the management of the internal affairs of the corporation and the governance of its officers, agents, and committees.

7.7 **Conflicts of Interest.** No contract or transaction between this corporation and one or more of its directors or officials, or between this corporation and any other corporation, partnership,
association, or other organization in which one or more of its directors or officers are directors or officers of this corporation, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee thereof which authorizes the contract or transaction, or solely because his material facts as to his relationship or interest and as to the directors or the committee, and the board or the committee in good faith authorized the contract or transaction by the affirmative votes of a majority of the disinterested directors even though the disinterested directors be less than a quorum; or

(1) The contract or transaction is fair as to the corporation as of the time it is authorized, approved, or ratified by the board of directors or a committee thereof duly authorized the contract or transaction.

7.8 Amendments. These bylaws may be amended by a majority of the directors or by a majority of the members.

CERTIFICATE

The undersigned secretary of this corporation hereby certifies that the above is a true and correct copy of the bylaws of ______________________________, Inc. duly adopted by its board of directors on _____________________________, _______.

Dated: ___________________________ ___________________________, Secretary

(SEAL)
This Agreement, by and between the undersigned ____________________________ (Student hereinafter), and his co-signing parent or guardian, hereby agree to rent from the ___ (chapter name) ___ of Theta Tau (Chapter or Fraternity herein), at ___ (name of university) ___, living space in the premises located at the commonly known address of _______ (street name, address) ______ in _____ (city and state or province) _____ (the Chapter House or House herein), for the period beginning ___ (date) ___, and ending ___ (date) ___, all in accordance with the below provisions. Student agrees and understands that the ___ (legal name of House Corporation) ___, a non profit corporation in the state or province of ____________________ (House Corporation herein), is the landlord to which the Chapter has contractual responsibilities and to which the Chapter has assigned its rights in this agreement.

The Conditions of this Agreement are:

1. That the Tenant pay the rent promptly as it becomes due and any rental paid more than 10 days after the due date shall be subject to 1.5% interest per month (18% per annum). Failure of Tenant to pay rent shall be considered a default under this Agreement and the Tenant’s lease. House Corporation makes no commitment to the Tenant about what furniture will be available in the room assigned; room assignments shall be at the discretion of the chapter in accord with its rules and processes. The student agrees to maintain his room, all common areas, and the contents assigned to him in good condition and in accordance with all regulations of the Fraternity and House Corporation.

2. That the Tenant use the premises well and keep it in good condition and repair at all times, reasonable wear and tear and damage by fire or other unavoidable casualty is excepted. Tenant will be responsible for the repair of all damages caused by neglectful maintenance and mistreatment.

3. Tenant shall not injure, overload or deface the Premises or any part thereof, or allow the Premises or any part thereof to be injured, overloaded or defaced and the Chapter be solely responsible for all cost and expenses resulting from any such injury, overloading or defacing.

4. Tenant shall be responsible for all household chores, routine maintenance, and all minor repairs necessary to the preservation, maintenance and ordinary operation of the Fraternity House, including but not limited to the interior of the building, exterior of the building, and the yard/grounds of the house. Tenant shall consult with the Landlord before conducting repair of plumbing, electrical, replacement of broken windows, glass doors, windows and similar.

5. Tenant shall make no alterations, additions or improvements without the consent of the Corporation, but after consent has been given, unless otherwise agreed upon in writing, all alterations, additions or improvements made by the Tenant upon said premises shall be at the Tenant’s own expense, and, at the option of the Corporation, shall remain upon the Premises at the expiration of this Agreement and become the property of the Corporation as a further consideration of this lease.
6. That the Tenant and Chapter use and permit the use of the Premises only as a fraternity house for
the Chapter and in compliance with all Federal, State or Province, and local laws, regulations and
ordinances, as well as the “Risk Management Policies of Theta Tau” (the national Fraternity), any
applicable and relevant rules of the Chapter’s host institution (University or College), any duly
authorized governing bodies in which the Chapter has membership, and in accord with “House
Rules” attached. The Chapter shall have the sole responsibility of insuring that the members
comply with this provision and a violation of this covenant shall result in the immediate
termination of all the Chapter’s rights to possess and use the property as is provided below.

7. That the Tenant shall not assign, sublet or part with the possession of the whole or any part of
the rented Premises without first obtaining the written consent of the Corporation. Any “Summer”
Tenants, member or non-member, must be approved by separate agreement.

8. That the (House Corporation or Chapter) shall furnish heat and all utilities for the Premises, and
promptly pay all gas, oil, electricity, water, heating or air-conditioning service, and telephone
rates and charges, sewer and trash disposal charges, and any other bills or charges incurred in
connection with the operation or maintenance of the Fraternity House which may become due and
payable during the term of this Agreement.

9. That the duly authorized agents and representatives of the Corporation and/or University and/or
Theta Tau (the national Fraternity) have the right at any time to enter upon and in the Premises for
the purpose of inspecting them.

10. That the Corporation place the building in reasonable good condition considering the age and
present condition and the use to which it is to be put, namely a fraternity house, during
occupancy.

11. That the Corporation be responsible for the maintenance and preservation of the structural
systems of the building, namely the roof, exterior walls and foundation, and the replacement of
them if needed; as well as the replacement of the mechanical systems should they need
replacement due to normal wear and tear.

12. Roof Access: Access to the roof shall be limited only to qualified personnel for the purposes of
performing maintenance and/or repair work. Any person going onto the roof does so at their own
risk and understands that the Corporation shall not be liable for any consequential bodily injury or
loss to personal property.

13. That the Corporation provide adequate insurance against loss by fire, any extended hazard perils
for the real property and any other insurance the Corporation deems appropriate. The Chapter
shall be responsible for liability insurance and all other insurance. The individual Tenants shall be
responsible for insuring their personal property if they so choose.

14. That the Corporation pay governmental assessments and real property taxes, if any, levied against
the Premises.

15. That the Corporation retire, according to schedule, any indebtedness, which may encumber the
leased Premises, except any liens, created or permitted by the Chapter.
16. Student agrees to be contractually responsible for all dues and assessments charged by the active chapter of Theta Tau during each semester Student attends the university.

17. Student accepts and agrees to all House Rules relative to the House and which are posted at the chapter house and/or which have been provided to all members from time to time. Student hereby acknowledges that he understands these rules.

18. In event of default by Tenant on any of the terms and conditions herein, and if the Corporation subsequently so demands, the Tenant hereby assigns to Lessor all of its rights in any and all rental agreements and receivables, expressed or implied, with any of its pledges or members, that directly or indirectly involve the Premises, including dues and all rental agreements, expressed or implied, with anyone occupying space anywhere upon the Premises, to the Corporation and grants a security interest to the Corporation. Upon exercising or receiving such assignment, Corporation shall have the right to pursue, to the fullest extent of the law, performance of any such obligation by any such obligor.

19. That at the expiration of the term of this Agreement the Tenant shall deliver up the Premises to the Corporation in good condition. Neither the terms of the Agreement nor the possession of the Premises shall in any way serve as an option for renewal. It is further agreed between the Corporation and the Tenant that for violation of any of the terms and conditions of this Agreement by Tenant, or upon the Tenant’s failure to perform any of the terms and conditions, then and in either of these events and without previous notice or demand, this Agreement shall be forfeited and the Tenant shall, upon violation or failure, forfeit and lose all right, title and interest in and to this Agreement and the Premises, and the right to possess, use and occupy the Premises shall be terminated and lost to the Tenant. The Tenant’s possession of the Premises after any such violation or failure shall be unlawful and without right, and the Tenant may be required to give immediate possession at any time after forfeiture of this Agreement. The failure of the Corporation to exercise any right reserved to it by this Agreement shall not be considered a waiver of any of the Corporation’s rights nor shall it stop the Corporation from asserting such rights or rights at any time. That any violation of any term of this Agreement shall immediately be reported by the non-violating party to the Theta Tau.

20. The Corporation shall maintain complete and accurate books and records of its financial officers and that parties to this agreement will make available to one another, a financial report reflecting the Agreement and those books, records and reports shall be provided to Theta Tau (the national Fraternity).

21. Tenant and all parties claiming under Chapter hereby fully, finally, totally and completely release, discharge, and hold harmless the Corporation, Theta Tau (the national Fraternity), and their respective members, employees, agents, servants, officers, directors, representatives, and other chapters, and any other entity whose liability is derivative by or through said released parties from all past, present and future claims, causes of action and liabilities of any nature whatsoever, regardless of the cause of the damage or loss, and including, but not limited to, claims and losses covered by insurance, claims for property damage, expended, reimbursements, repairs and maintenance, claims and damage for personal injury, claims and damages for premises liability, claims and damage for torts of any nature, and claims for compensatory damages, consequential damages or punitive/exemplary damages. Tenant and all parties claiming under Chapter covenant not to sue the Corporation, national Fraternity, or their respective members, employees, agents, servants, officers, directors, representatives, and other chapters.
22. Each Tenant and the chapter understands and agrees that they are not in any way a subordinate or agent of the House Corporation or Theta Tau (the national Fraternity) and that they will not represent themselves as such.

22. If for any reason any clause or paragraph herein is deemed unenforceable, in whole or in part, all parties agree that the remaining portion of the clause or lease, as the case may be, shall be binding and remain enforceable.

23. Should a property manager or property management firm be identified below, it is agreed that the so indicated property manager was engaged to assist with the management of the Premises, benefiting both the Tenant and Corporation, however it is understood that the property manager is an agent of the Corporation. The Property Manager’s duties shall include, but not be limited to: writing (if necessary) and administering the room rental agreements with the individual Tenants; collecting rent from individual Tenants; conducting individual room and common area inspections; collecting and managing damage/security deposits; instigating all necessary evictions; and, on behalf of the Tenant, pay rent to the Corporation when due and pay the Chapter’s obligations identified in paragraph 8 of this agreement. The property manager is:

________________________________________________________________________

________________________________________________________________________

The terms, conditions and covenants of this agreement extend and are binding on both parties unless and until revised and upon the heirs, successors, administrators and personal representatives of the Tenant and the agents, representatives and successors of the Corporation.

In Witness Whereof, the said parties have set their hands and seals this ___ day of ________________, 20__.

CORPORATION

BY: ____________________________ BY: ____________________________

President Student Member/Tenant Signature Print Name

TENANT

BY: ____________________________

Treasurer Parent/Guardian/Guarantor Signature Print Name
APPENDIX C - 2
ALTERNATIVE SAMPLE LEASE HOUSE CORPORATION TO MEMBER

THIS AGREEMENT is entered into by and between the undersigned _______________ 
________________________ and his co-signing parent or guardian, hereinafter referred to as 
Occupant, and _________________________, hereinafter referred to as House Corporation, as entered 
into at __________, ________________, on the _______ day of ____________, ____.

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 Theta 
   Tau Chapter House, and shall take all meals, if provided, at the Chapter House unless his 
course of study should prevent it (must be pre-approved).

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 entire period of this contract. 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 
paragraph 5 and 6 below.

4. The Occupant agrees to hold harmless the _________________ Chapter, the House 
   Corporation and the Theta Tau National Fraternity for any suit, action at law, or 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 Theta Tau 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 
   _________________ University 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 quarter) or participating 
in student teaching, cooperative education, or any other circumstance permissible by the 
House Corporation; 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 his agreement, if a room is to be held for him, the monthly rate will be adjusted to $_______ per month during this 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 rate 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 uninhabitable by fire, explosion, or other catastrophe, this agreement shall become null and void.

10. In the event the Occupant shall fail to meet his financial obligations, fail to continue as a member of Theta Tau 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 reasons 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

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APPENDIX D
SAMPLE LEASE HOUSE CORPORATION TO CHAPTER

Theta Tau Lease
House Corporation and Chapter

The _______________ House Corporation, a non-profit corporation in the State of _____ (Corporation or Landlord herein), have this day rented to the ___ Chapter of the Theta Tau (Chapter or Tenant herein), that certain real property municipally known as _________________ (address), _______ (city), _______ (county), State or Province of ______________ together with all buildings and improvements thereon and thereunto belonging all of which is hereafter referred to as the “Premises” and/or “Fraternity House”. The term of the lease shall be from the first day of ________________, 20___, to the first day of ____, 20___, and from school year to school year thereafter unless notice of amendment or termination is given by the parties as hereinafter provided, at the annual rental rate of $_______; payable in _____installments of $________ due on the first day of _________________________________ and then with each additional payment due _____________________________________________ the first day of ____________ and being sent to the Corporation’s address at:

_________________________________________________

The Conditions of this Agreement are:

1. That the Chapter pay the rent promptly as it becomes due and any rental paid more than 10 days after the due date to include a late charge of 10% of the sum due.

2. That the Chapter use the premises well and keep them in good condition and repair at all times, reasonable wear and tear and damage by fire or other unavoidable casualty is excepted. The chapter will be responsible for the repair of all damages caused by neglectful maintenance and mistreatment.

3. That the Chapter be solely responsible for the collection of rental revenue from its members and occupants, and make any necessary arrangements for the collection of such revenue and the failure to do so not in any manner to excuse the Chapter from any of its obligations hereunder. Failure of the Chapter to collect such rents shall be considered a default under this Agreement and the Chapter’s lease of the Premises.

4. That the Chapter, at its own expense, keep the lawns, trees, vines, bushes, and hedges of the Premises cut, watered and trimmed, and maintain the general landscaping of the Premises and the pick up and disposal of all litter and trash on the Premises during the term of this lease.

5. That the Chapter not injure, overload or deface the Premises or any part thereof, or allow the Premises or any part thereof to be injured, overloaded or defaced and the Chapter be solely responsible for all cost and expenses resulting from any such injury, overloading or defacing.

6. That the Chapter be responsible for all household chores, routine maintenance, and all minor repairs necessary to the preservation, maintenance and ordinary operation of the Fraternity House, including but not limited to the interior of the building, exterior of the building, and the yard/grounds of the house. The chapter shall consult with the Landlord before conducting repair of plumbing, electrical, replacement of broken windows, glass doors, windows and similar.

7. That the Chapter make no alterations, additions or improvements without the consent of the Corporation, but after consent has been given, unless otherwise agreed upon in writing, all alterations, additions or improvements made by the Chapter upon said premises shall be at the Chapter’s own expense, and, at the option of the Corporation, shall remain upon the Premises at the expiration of this Agreement and become the property of the Corporation as a further consideration of this lease.

8. That the Chapter furnish heat and all utilities for the Premises, and promptly pay all gas, oil, electricity, water, heating or air-conditioning service, and telephone rates and charges, sewer and trash disposal charges, and any other bills or
charges incurred in connection with the operation or maintenance of the Fraternity House which may become due and payable during the term of this Agreement.

9. That the Chapter use and permit the use of the Premises only as a fraternity house for the Chapter and in compliance with all Federal, State or Province, and local laws, regulations and ordinances, as well as the “Risk Management Policies of Theta Tau” (the national Fraternity), any applicable and relevant rules of the Chapter’s host institution (University or College), any duly authorized governing bodies in which the Chapter has membership, and in accord with “House Rules” attached. The Chapter shall have the sole responsibility of insuring that the members comply with this provision and a violation of this covenant shall result in the immediate termination of all the Chapter’s rights to possess and use the property as is provided below.

10. That the Corporation place the building in reasonable good condition considering the age and present condition and the use to which it is to be put, namely a fraternity house, during occupancy.

11. That the Corporation be responsible for the maintenance and preservation of the structural systems of the building, namely the roof, exterior walls and foundation, and the replacement of them if needed; as well as the replacement of the mechanical systems should they need replacement due to normal wear and tear.

12. Roof Access: Access to the roof shall be limited only to qualified personnel for the purposes of performing maintenance and/or repair work. Any person going onto the roof does so at their own risk and understands that the Corporation shall not be liable for any consequential bodily injury or loss to personal property.

13. That the Corporation provide adequate insurance against loss by fire, any extended hazard perils for the real property and any other insurance the Corporation deems appropriate. The Chapter shall be responsible for liability insurance and all other insurance. The individual tenants shall be responsible for insuring their personal property if they so choose.

14. That the Corporation pay governmental assessments and real property taxes, if any, levied against the Premises.

15. That the Corporation retire, according to schedule, any indebtedness, which may encumber the leased Premises, except any liens, created or permitted by the Chapter.

16. That the Chapter not assign, sublet or part with the possession of the whole or any part of the rented Premises without first obtaining the written consent of the Corporation except for rental to Chapter members living in the Fraternity House during the regular school year. Any “Summer” tenants, member or non-member, must be approved by separate agreement.

17. In event of default by Chapter on any of the terms and conditions herein, and if the Corporation subsequently so demands, the Chapter hereby assigns to Lessor all of its rights in any and all rental agreements and receivables, expressed or implied, with any of its pledges or members, that directly or indirectly involve the Premises, including dues and all rental agreements, expressed or implied, with anyone occupying space anywhere upon the Premises, to the Corporation and grants a security interest to the Corporation. Upon exercising or receiving such assignment, Corporation shall have the right to pursue, to the fullest extent of the law, performance of any such obligation to the Chapter by any such obligor.

18. That the duly authorized agents and representatives of the Corporation and/or University and/or Theta Tau (the national Fraternity) have the right at any time to enter upon and in the Premises for the purpose of inspecting them.

19. That at the expiration of the term of this Agreement the Chapter shall deliver up the Premises to the Corporation in good condition. Neither the terms of the Agreement nor the possession of the Premises shall in any way serve as an option for renewal. It is further agreed between the Corporation and the Chapter that for violation of any of the terms and conditions of this Agreement by the Chapter, or upon the Chapter’s failure to perform any of the terms and conditions, then and in either of these events and without previous notice or demand, this Agreement shall be forfeited and the Chapter shall, upon violation or failure, forfeit and lose all right, title and interest in and to this Agreement and the Premises, and the right to possess, use and occupy the Premises shall be terminated and lost to the Chapter. The Chapter’s possession of the Premises after any such violation or failure shall be unlawful and without right, and the Chapter may be required to give immediate possession at any time after forfeiture of this Agreement. The failure of the Corporation to exercise any right reserved to it by this Agreement shall not be considered a waiver of any of the Corporation’s rights nor shall it stop the Corporation from asserting such right or rights at any time.
20. The Chapter and the Corporation shall each maintain complete and accurate books and records of its financial officers and that both parties to this agreement will submit, one to the other, a financial report reflecting the Agreement.

21. Chapter and all parties claiming under Chapter hereby fully, finally, totally and completely release, discharge, and hold harmless the Corporation, Theta Tau (the national Fraternity), and their respective members, employees, agents, servants, officers, directors, representatives, and other chapters, and any other entity whose liability is derivative by or through said released parties from all past, present and future claims, causes of action and liabilities of any nature whatsoever, regardless of the cause of the damage or loss, and including, but not limited to, claims and losses covered by insurance, claims for property damage, expenses, reimbursements, repairs and maintenance, claims and damage for personal injury, claims and damages for premises liability, claims and damage for torts of any nature, and claims for compensatory damages, consequential damages or punitive/exemplary damages. Chapter and all parties claiming under Chapter covenant not to sue the Corporation, national Fraternity, or their respective members, employees, agents, servants, officers, directors, representatives, and other chapters. Chapter agrees to include this clause or paragraph in the individual room leases with the student sublessees.

22. Each member and the chapter understands and agrees that they are not in any way a subordinate or agent of the House Corporation or Theta Tau (the national Fraternity) and that they will not represent themselves as such.

23. Should a property manager or property management firm be identified below, it is agreed that the so indicated property manager was engaged to assist with the management of the Premises, benefiting both the Chapter and Corporation, however it is understood that the property manager is an agent of the Corporation. The Property Manager’s duties shall include, but not be limited to: writing (if necessary) and administering the room rental agreements with the individual tenants; collecting rent from individual tenants; conducting individual room and common area inspections; collecting and managing damage/security deposits; instigating all necessary evictions; and, on behalf of the Chapter, pay rent to the Corporation when due and pay the Chapter’s obligations identified in paragraph 8 of this agreement. The property manager is:

_________________________________________________________________________________

The terms, conditions and covenants of this agreement extend and are binding on both parties unless and until revised and upon the heirs, successors, administrators and personal representatives of the Chapter and the agents, representatives and successors of the Corporation.

In Witness Whereof, the said parties have set their hands and seals this ____day of __________________, 20 ___.

CORPORATION

BY: ________________________________________  BY: ____________________________

  President

  Treasurer

CHAPTER

BY: ________________________________________

  President

  Treasurer
APPENDIX E
SAMPLE LEASE CHAPTER TO MEMBER

HOUSING AND MEMBERSHIP AGREEMENT

This Agreement is made and entered into this ___ day of ____________, ____, by and between the __________________ Chapter of Theta Tau of ____________________, (hereinafter referred to as “the Chapter”), ____________________, a __ __ __ __ __ corporation (hereinafter referred to as “ ____________”) and (hereinafter referred to as “Student”).

PREAMBLE

WHEREAS, the Chapter maintains a fraternity house at ____________________ located at ____________________, (hereinafter “the premises”), providing room and board to members and prospective members of the ____________ chapter of Theta Tau fraternity who are students at ____________ (“ __________”); and

WHEREAS, the ____________ chapter is an unincorporated association of undergraduate college students constituting a chapter of Theta Tau fraternity; and

WHEREAS, the ____________ chapter is responsible for the day to day operation and major upkeep of the premises, as well as the selection and training of new members, and other activities commonly engaged in by a college fraternity; and

WHEREAS, Student represents that he is, or wishes to become, a member of the ___ ______ _______ chapter of Theta Tau fraternity; and

WHEREAS, ________________ is the Chapter Housing Corporation and functions as the landlord of the real property where the Chapter House is located; and

WHEREAS, the parties wish to enter into a written agreement providing for the terms and conditions of the Student’s tenancy at the premises as set forth below:

THEREFORE, IT IS AGREED AS FOLLOWS:

1. Premises and Term. The Chapter hereby leases to Student a room in the above-referenced fraternity house, to be jointly shared with one or more other students, which will include heating during the winter months, utilities, access to lavatory facilities, and the use of all of the common areas of the premises including the kitchen, dining room, living rooms, and study facilities. The term of Student’s leasehold shall run from September ____, ____, until June ____, _________.

The Chapter shall provide three meals per day Monday through Friday, two meals on Saturday and Sunday, during such periods as ________ is in session (excluding summer sessions). Said meals include one hot meal per day, Monday through Saturday, prepared by the House Chef. On Sunday, a meal prepared by the House Chef is to be warmed by the house-boy for Sunday dinner. Further, the House Chef designates food to be set out by the houseboy for breakfast and lunch each day. The Chef prepares food in quantity to feed the live-in members. Exceptions include Chapter Night, parent functions, alumni events, and special events. For all meals other than those for live-in
members, twenty-four (24) hour notice will be given by the fraternity president of the total number of meals to be served. Member guests are welcome at regular meals, but twenty-four (24) hour notice of the number of guests will be provided to the House Chef.

The use of the premises includes the right to a parking space for students during the academic year and during the summer months following the end of the third session. Student’s tenancy shall end should he cease to be a member of Theta Tau fraternity, or cease to participate in the pledge program.

2. Rent. Attached hereto, and made a part hereof, is Exhibit 1. This represents a detailed analysis of the monthly, quarterly, and annual payment schedule(s). Student must, as a part of this Agreement, elect either a monthly, quarterly, or annual payment schedule.

All payments of rent, or other payments required by the provisions of this Agreement, which are not paid within seven (7) calendar days from the date such payments were originally due shall be considered to be in default and Student shall pay a late fee of Twenty-Five Dollars ($25.00) for each month said payment arrives beyond the seven (7) days from the date such payments were originally due. All such payments which are in default shall bear interest at the annual rate of ten percent (10%), beginning from the date said payments were originally due. Payments shall be applied first to past due payment penalties, then to interest, then to the principal past due and owing. Said default is not “cured” without payment of all monies due and owing. In addition, there will be a Twenty Dollar ($20.00) fee charged for all returned checks (i.e. non-sufficient funds, account closed, or other reason for dishonor).

3. Release from Rent Obligation. Student shall be released from his obligation to pay future rent in the event that he ceases to be a student at ____, gives up or loses his membership in the fraternity, or in the case of prospective members, drops out of the pledge program. The release from the student's covenant to pay rent shall take effect upon his vacation of the premises. All other covenants and terms of this Agreement shall remain in full force and effect.

4. Use of Premises. Student agrees that the premises shall be occupied and used in a careful, safe, and proper manner, so as not to damage the interior walls, floors, or ceilings of the premises, as well as the furniture contained therein, or cause unnecessary wear and tear to the interior or exterior area of the premises. Student further specifically covenants and agrees to abide by the “House Rules” which are attached hereto, and incorporated herein by reference, as binding provisions of this Agreement.

5. Assignment and Subleases. Student shall not have any right to sublet the premises, nor any part thereof, nor to assign his leasehold under any circumstances.

6. Security Deposit. Student agrees to deposit with ______________, the sum of $100.00, which amount shall be paid on or before September ____, ____. Said deposit shall be held by ______________, without liability for interest, as security for the faithful performance by Student of all of the terms, covenants, and conditions of this Agreement by said Student to be kept and performed during the term hereof. If at any time during the term of this Agreement any of the rent herein reserved, or any other sum payable by Student, shall be overdue and unpaid, or Student shall have failed to keep and perform any of the terms, covenants, and conditions of this Agreement to be kept and performed by Student, the ______________, at its option, may appropriate and apply said security deposit, in its entirety or any portion thereof, to the payment of any such overdue rent or other sum, or to compensate ______________ for any loss or damage sustained or suffered.
by __________ due to such breach on the part of the Student. Should the entire security deposit, or any portion thereof, be appropriated or applied by __________, as aforesaid, then Student shall, upon the written demand of __________ forthwith remit to __________ a sufficient amount in cash to restore said security deposit to the original sum deposited, and Student's failure to do so within twenty (20) days after receipt of such demand, shall constitute a material breach of this Agreement.

Should Student comply with all of said terms, covenants, and conditions and promptly pay all of the rent herein provided as it comes due, and all other sums payable by Student to __________, hereunder, the entire deposit shall be returned to Student at the end of the final term at _________________, or upon termination of this Agreement, whichever occurs last.

7. **Plate Glass.** Student shall replace, at his own expense, any and all plate and other glass, damaged or broken by him, in and about the premises.

8. **Insurance.** Student shall be responsible for maintaining insurance for his personal possessions and shall take all necessary measures to protect his valuables and other possessions as common sense shall dictate. It is recognized that fraternity houses on __________ campus have sometimes been the victim of thefts, especially during vacation periods, and it is therefore recommended that Student remove valuables during vacation periods and that the doors to private quarters be kept locked at other times when unoccupied. __________ and the Chapter, assume no responsibility for the theft or loss of Student’s valuables or other personal property. Student hereby releases __________ and or the Chapter, from any liability for any theft, damage, or loss of Student’s valuables or other personal property.

9. **Right of Access.** __________ reserves and retains the right to free access to the premises, at any and all reasonable times, for the purpose of inspecting the same or to do any repair or other work thereon, which is by this Agreement required to be done by __________, or which __________ may deem necessary for the preservation of the property.

10. **Renewal.** Provided Student shall not be in default in any respect under the terms of this Agreement, at the end of the initial or renewal term hereof, Student shall have the option to renew his tenancy, by the execution of a new Housing and Membership Agreement, for an additional academic year, so long as he remains an undergraduate student at __________. The renewal term shall be on the same terms and conditions as are provided herein, except that the renewal term rental rate shall be as otherwise provided for herein, so long as all students residing within the premises are charged an equal rate by __________. __________ Chapter may amend its “House Rules” from time to time at its discretion, so long as any new provisions are of the same general character and purpose as those presently in force.

11. **Surrender of Premises.** At the expiration of the tenancy hereby created, Student shall surrender possession of the premises in as good order and condition as the same were in upon delivery of possession thereto under this Agreement, reasonable wear and tear excepted, and shall surrender all keys for the premises to the Chapter, or its agent, at the place then fixed for the payment of rent.

12. **Management of Premises.** Student hereby acknowledges that the premises are managed by the Chapter through __________. A student house manager, elected by a majority vote of the members of the __________ chapter of Theta Tau fraternity, is responsible for the day
to day operation and minor upkeep of the premises. Said house manager is the agent of the Chapter and the house manager is not an agent of .

13. Notice. The parties hereto acknowledge that all notices required or permitted under this Agreement shall be deemed to be duly given if mailed, first class, postage prepaid, to: ______________ addition, notice may be duly given to Student by mailing the same to Student at the fraternity (during the academic year), or to his home address during vacation period(s).

14. No Waiver. The failure of any party hereto to insist upon the strict performance of the terms, covenants, agreements, and conditions herein contained, or any or either of them, shall not constitute, or be construed as, a waiver or relinquishment of their respective rights to thereafter enforce such terms, covenants, agreements, or conditions, but the same shall be continued in full force and effect.

15. Binding and Beneficial Effect. The stipulations, conditions, covenants, and terms of this Agreement shall be binding upon the parties hereto and their respective agents, successors, heirs, representatives, and all those claiming by, through, or under them. The covenants contained within section 17 and 18 shall specifically inure to the benefit of Theta Tau fraternity and ______________ and those individual entities’ officers, directors, members, agents, and representatives.

16. Entire Agreement. This Agreement and the “House Rules” incorporated herein by reference, set forth all the covenants, promises, agreements, conditions, and understandings between ______________, and Student, concerning the premises and the other subject matter covered by this Agreement. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the parties unless reduced to writing and signed by each of them. This Agreement shall be governed and interpreted in accordance with Washington law, as well as in conformity with the laws of Theta Tau fraternity, and the rules and regulations of ______________.

17. Arbitration. Any claim in excess of One Thousand Dollars ($1,000.00), or dispute arising out of, or relating to, Student’s tenancy at the premises, or his membership or prospective membership in Theta Tau fraternity, shall be settled by arbitration in accordance with law. Any judgment upon any award rendered by an arbitrator may be entered in a court having jurisdiction thereof. It is mutually agreed and stipulated by the parties that the Dean, or acting Dean, of Students at ______________ shall be empowered to select a qualified and impartial individual who shall act as arbitrator for such claims or disputes.

In the event that said official declines a request by either or both parties to appoint such an arbitrator, then said arbitrator shall be selected by mutual agreement of the parties. That failing, the dispute shall then be referred to the ______________, office of the American Arbitration Association for arbitration pursuant to that body’s applicable rules. Notice of demand for arbitration shall be made in writing to the other party within a reasonable time after the claim or dispute in question has arisen. In no event shall demand for arbitration be made later than one year after a party’s claim has arisen, or the facts giving rise thereto have been discovered, whichever is later, and any claim asserted thereafter shall be deemed conclusively barred.

18. Confidentiality. It is acknowledged by the parties hereto that Student will necessarily gain knowledge and have access to confidential information, as well as personal and private matters, involving Theta Tau fraternity and its members, which should not be disclosed to anyone who is not a
member or representative of the fraternity. Accordingly, Student agrees and promises not to discuss or otherwise disclose any ceremonies, procedures, business, or activities of the fraternity or any of its members during his enrollment at _____________ and thereafter.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY ANY PARTY TO THIS AGREEMENT.

STUDENT:

Name: ________________________________
Hometown: ________________________________
Address: ________________________________ Parents/Guardians Phone Number: ________________________________
City/State/Zip: ________________________________
Parents/Guardians: ________________________________

WITNESS: ________________________________

NOTE: If you are not yet eighteen (18) years of age, you must obtain the signature of a parent or guardian as set forth below. This is a binding contract and you are urged to have your parents review its provisions before signing it, regardless of your age.

SIGNATURE OF PARENT OR GUARDIAN: ________________________________

Name: ________________________________

WITNESS:

Name: ________________________________

______________________________ CHAPTER OF THETA TAU:

Title: President

______________________________ (Name of House Corporation)

______________________________, President
APPENDIX F
SAMPLE CHAPTER MEMBERSHIP CONTRACT

I was initiated into the Theta Tau Fraternity and have assented to the Constitution and Bylaws after agreeing to follow the precepts of the Fraternity. The following promises are well covered in the Regulations of Theta Tau.

1. I promise never to use or deal in illegal drugs on Theta Tau 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 Theta Tau and uphold any rules of the Fraternity or any regulations passed by my chapter or my university. I further promise to consider and treat anyone who has been initiated 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 the minimum accumulative grade point average set forth by the university 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)
APPENDIX G
SAMPLE BASIC HOUSE RULES

THETA TAU HOUSE RULES

It is important that potential new members, pledges, guests, alumni, and the parents of student members view the chapter house as a facility that will enhance the undergraduate fraternity experience for our members and be a place that is conducive to learning.

The chapter house is not just your home; it is the home of everyone in the chapter at any given point in time. As such, some conduct that does not offend you may offend another member, or another member’s guest. More importantly, the chapter and its student members merely pass through the Chapter House during their time in college. It should be your desire to leave the house and the chapter better for those that will pass through in the years which follow. The following rules and additional ones you may consider may help create that type of environment.

- All members are expected to act as gentlemen. Respect and care should be shown at all times towards guests, members, and alumni. Each member is responsible for the conduct of his guest in addition to his own conduct. If you are unwilling to confront an unruly guest, do not invite them into our home.
- The house and furnishings will be utilized by the members and their guests in a manner consistent with the purpose for which they were designed. When dirtied or damaged, clean or repair them.
- No illegal drug use will be permitted on the property. This is grounds for immediate eviction.
- Articles will not be taken from a room without the owners consent.
- Knock before entering an individual’s sleeping quarters.
- Individuals will be charged for the cost (including equipment, parts, labor, etc. costs) to repair damage caused by them to the facility. Damage that is not attributable to an individual shall be billed to all chapter members security deposits.
- Quiet hours will be from 11 p.m. until 8 am Sunday evening through Friday morning. During quiet hours radios and stereos may be played at a level not to be heard outside of that room. Violation of quiet hours will result in a fine determined by the chapter.
- At any time day or night, any person who is studying may request the volume to be lowered and that request will be honored.
- Eating is permitted in the dining room only. All trash, crumbs, etc. will be cleaned up immediately after eating. All dishes, pots, pans, silverware, etc. will be washed, dried, and put away immediately.
- No one is allowed on the roof. Violation will result in a chapter fine and possible eviction.
- Keep the exterior of the house and yard clear of trash, debris, old furniture, inoperable vehicles, etc.
- All members will participate in keeping the house clean. Assigned house duties are to be done by Noon on the day they are to be completed. Failure to do so will result in a fine from the chapter.
- Alcoholic beverages are highly recommended to be banned from the common area at all times. Only people who are 21 or over may consume alcohol on the property and in the privacy of their own room. Members, guests, pledges, etc. must abide by all university, local, and state laws regarding the consumption of alcohol.
APPENDIX H
SAMPLE CONTRACT BETWEEN HOUSE CORPORATION & COOK
This contract is written for Chapter House Chef/Cook but can be altered for other employees.

AGREEMENT

THIS AGREEMENT dated this ______ day of _____________________, by and between ________________________, a _________________ Corporation with its principal place of business located at ____________________________, and _______ ________________, with his/her residence located at ________________

RECITALS

A. _________________________, (hereinafter referred to as the “employer”) and ________________________ (hereinafter referred to as the “employee”) desire to enter into an agreement outlining the job descriptions, operational guidelines, and compensation necessary for the employee, as House Chef, to provide an efficient food service operation for the Theta Tau Fraternity at ________________________________.

B. The parties hereto desire to reduce their agreement to contract form in order to provide for a normal employer-employee relationship and optimum food service to Theta Tau.

C. NOW BE IT THEREFORE AGREED AS FOLLOWS:

1. **Job Description and Guidelines.** The following shall constitute the job description and guidelines to be adhered to by the employee at Theta Tau.
   
   (a) Prepares one hot meal per day, Monday through Saturday. On Saturday, prepares a meal to be warmed by the houseboy for Sunday dinner. Designates food to be set out by houseboy for lunch each day.
   
   (b) All meals will be nutritionally balanced using USDA guidelines.
   
   (c) Prepares food in a manner that meets all county and state health department sanitary standards.
   
   (d) Maintains a current county food and beverage permit.
   
   (e) Buys all food items to be prepared and is responsible for delivery.
   
   (f) Prepares all menus, maintaining nutritional balance, variety, and diversity.
   
   (g) From time-to-time, prepares special meals to include, but not limited to, parent functions, alumni events and fraternity fundraisers.
   
   (h) Maintains a sanitary kitchen that meets county health standards.
   
   (i) Notifies house manager anytime maintenance needs to be performed on kitchen equipment. The President of ______________________, is to be advised of any irregularities or equipment failures that are not repaired within twenty-four (24) hours.
   
   (j) Directs the routine cleaning of kitchen by house boy.
   
   (k) Controls food costs so they remain within the budget established by employer.
Prepares food in quantity to feed the live-in members. Exceptions include Chapter Night (Monday of each week), parent functions, alumni events, and special events. For all meals other than those for live-in members, twenty-four (24) hour notice will be given by the fraternity president of the total number of meals to be served.

Member guests are welcome at regular meals, but twenty-four (24) hour notice of the number of guests will be provided to the employee.

Determines the food vendor who provides food items and supplies based on food price, quality of product, and delivery costs.

Receives funds budgeted for food/supplies by the 5th day of each month.

Upon request, accounts to the chapter treasurer for all funds expended.

Receives salary mailed to designated address by the first day of each month.

Food service availability will be determined by the academic calendar. Food service will not be provided for school breaks of more than three (3) days. Food service may not be provided when less than five (5) members plan to eat and 24 hour notice is provided.

No alcoholic beverages will be purchased with funds budgeted for food.

Any extraordinary travel in connection with duties will be compensated at the currently accepted rate for business travel.

The employee shall be entitled to reimbursement for such expenses, other than “extraordinary travel” as addressed in (t) above, as are determined to be reimbursable by the employer from time to time.

While it is understood that no alcoholic beverages can be served in the house without strict compliance with Beta Theta Pi’s risk management policies and approval of the housing board, the employee will not be required to be present anytime alcoholic beverages are served.

Food funds will be deposited in a financial institution account that will provide the best financial advantage to the fraternity. Checks will be drawn on this account to pay for purchases throughout the month. The employee agrees to a periodic review of food budgets with the president of _________________.

The employee shall furnish full time and attention to rendering services on behalf of the employer, and in furtherance of its best interests. The employee shall comply with all policies, standards, and regulations of the employer now or hereafter promulgated.

Any or all of the above provisions regarding job description and guidelines may be modified upon the mutual consent of all parties.

2. **Term.** The term of this agreement shall be for _______ years and shall commence on ____________, and shall terminate on ______________. The term of this
agreement may be renewed for an additional one year term by agreement of both parties hereto under terms and conditions acceptable to both parties.

3. **Compensation.** For the services provided by the employee, as outlined in § C (1) above, the employer agrees to pay to the employee the sum of _______________ ___________ ($_________) per month for each month, or portion thereof, of the school year, for the term of this agreement. The Board of Directors of _______________ ___________ reserves the right, at its sole discretion, to provide to the employee, cost of living increases, sick leave, annual bonuses based on meeting or exceeding food budget requirements, and such other benefits of employment as the Board may determine.

4. **Death or Disability.** If, during the term of this agreement, the employee should die or become disabled, either mentally or physically, in such a manner as to be unable to perform the duties assigned to him by the employer, then, in that event, this agreement shall terminate as of the date the employee last performs his designated duties, and the employer shall have no further obligation to the employee, or his estate, except that the employer shall pay to the employee, or to his estate, the salary due him under the terms of this agreement up to the date of such termination due to death or disability.

Proof of disability shall be supplied either by the written letter of the employee’s physician stating that, in his professional opinion, the employee is unable and incapable of performing his duties. Or, the employer shall have the right to have the employee examined by a physician of its own choice, with such physician making the determination as to whether or not the employee is physically or mentally incapable of performing the duties assigned to him under the terms of this agreement.

In the event of a dispute between the examining physician selected by the employee and the examining physician selected by the employer, the dispute shall be submitted to arbitration, and the decision of such arbitrators as to whether the employee is disabled shall be final and binding upon all parties.

5. **Termination of Agreement.** Either party may terminate this agreement at any time by giving at least thirty (30) days written notice to the other party.

(a) The employer may terminate this agreement and the employee's employment, with or without cause, at any time, by giving not less than thirty (30) days written notice of its intention to terminate the agreement to the employee. The employee may be relieved of his responsibilities forthwith upon giving of such notice. The employer shall be obligated to continue to pay the employee the salary due him under the terms of this agreement up to the termination date stated in such written notice.

(b) The employee may terminate this agreement and his employment, at any time, by giving not less than thirty (30) days written notice of his intention to terminate the agreement to the employer. The
employer shall only be obligated to pay the employee the salary due him under the terms of this agreement up to the termination date stated in such written notice, or up to such earlier date as the employee actually terminates his employment. The employer may relieve said employee of his responsibilities prior to the stated termination date. Salary shall be paid only through the actual date of termination.

6. **Governing Law.** The parties hereto agree that this agreement and the parties’ performance hereunder shall be governed by and interpreted under the laws of the state of ________________ and that the proper venue in any litigation arising out of this agreement shall be properly laid in __________________________.

7. **Vacation.** The employee shall be entitled to holidays and vacation in accordance with the vacation schedules in effect for the employees of the employer, and shall be further entitled to his customary compensation during such periods. Any vacation must be granted by the employer with the permission of its President.

IN WITNESS WHEREOF, the parties have executed this agreement this ______ day of ________________.

______________________________  ______________________________
(“Employer”)  (“Employee”)

BY:  __________________________
     President

BY:  __________________________
     Secretary
APPENDIX I
SAMPLE STUDENT PAYMENT PLANS & AGREEMENT

SAMPLE
PAYMENT SCHEDULE FOR MEMBERS (Living in)

1. **Annual Payment.** Total costs for the 1997-98 school year, if paid annually, on or before September 19, 1997 are $3,735.00.

2. **Quarterly Payment.** Total costs for the 1997-98 school year, if paid quarterly, are $3,735.00. The first quarter payment of $1,440.00 is due on or before September 19, 1997. The second quarter payment, in the amount of $1,196.00, is due on or before January 5, 1998. The third and final payment, in the amount of $1,099.00, is due on or before April 5, 1998.

3. **Monthly Payment Option.** Total costs for the 1997-98 school year, if paid monthly, are $3,825.00, divided into nine (9) monthly installments. The first monthly payment of $577.00 is due on or before September 19, 1997. The remaining monthly payments, in eight equal payments of $406.00, are due on or before the fifth (5th) day of each month, through and including May 5, 1998.

   In all cases, there will be twenty-five dollar ($25.00) fee charged for any payment that is received more than seven (7) days beyond the date the payment was due.

   Special arrangements can be made for students waiting for student loans and grants.

   In all cases, there will be a twenty dollar ($20.00) fee charged for all returned checks (ie, non-sufficient funds, account closed, or other reason for dishonor).

   **Remember that the House can now accept payments via MasterCard or Visa!!**

4. **Notes.**

   (a) House Bill assumes three (3) meals per day, private chef, home style cooking, homemade bread, desserts, etc.

   (b) The "Building Fund" contribution must be paid by the end of the school year in which a student becomes an active member of the house and is not refundable. The Building Fund contribution is One Hundred Dollars ($100.00) if paid in advance. If this obligation is paid as part of the monthly payment plan for housing, add $12.50 to each monthly housing bill payment. This is a one time charge.
SAMPLE
PAYMENT SCHEDULE FOR MEMBERS (Living Out)

1. **Annual Payment.** Total costs for the 1997-98 school year, if paid annually, on or before September 19, 1997 are $540.00.

2. **Monthly Payment Option.** Total costs for the 1997-98 school year, if paid monthly, are $585.00. The first monthly payment of $89.00 is due on or before September 19, 1997. The remaining monthly payments, in eight equal payments of $62.00, are due on or before the fifth (5th) day of each month, through and including May 5, 1998.

   **In all cases there will be a ten dollar ($10.00) fee charged for any payment that is received more than seven (7) days beyond the date the payment was due.**

   **Special arrangements can be made for students waiting for student loans and grants.**

   **In all cases, there will be a twenty dollar ($20.00) fee charged for all returned checks (ie., non-sufficient funds, account closed, or other reason for dishonor).**

   **Remember that the House can now accept payments via MasterCard or Visa!!**

3. **Notes.**

   (a) House Bill assumes one (1) meal per week (Chapter Night), private chef, home style cooking, homemade bread, desserts, etc.
STUDENT ELECTION:

I, ________________, agree to pay my financial obligation(s) to ________________, INC. as follows (check one):

☐ MONTHLY  ☐ QUARTERLY  ☐ ANNUALLY

STUDENT:

Name: ________________________________

NOTE: If you are not yet eighteen (18) years of age, you must obtain the signature of a parent or guardian as set forth below. This is a binding contract and you are urged to have your parents review its provisions before signing it, regardless of your age.

SIGNATURE OF PARENT OR GUARDIAN:

Name: __________________________________________________________________________
APPENDIX J

James R. Favor and Company
Risk Management and Insurance Program Recommendations

J. 1. Basic Risk Management and Insurance Program
   Reporting of claims or accident
   General claims duties

J. 2. Certificates of Insurance
   Certificate Basics and How Used
   Requesting Certificates

J. 3. Establishing property insurance values
   Insurance Terms
   Establishing Property Insurance Values for Buildings, Fine Arts, Contents, Income
   Members / Tenants Property Not covered

J. 4. Responding to Insurance Inspection Report
   Response to Inspection Reports
   Primary Causes of Fraternity House Fires
   Safety recommendations

J. 5. Fire Protection / Automatic Sprinkler Systems
   General Recommendations to Plan and Install Sprinkler Systems

J. 6. Volunteer Protection Act
   Federal Volunteer Protection Act of 1997

J. 7. Risk Management Recommendations for Chapter House Lease / Housing Agreements
   Basic Relationships
   Risk Management Recommendations
   Suggested House Rules for Promoting Loss Control

J. 8. Independent Contractor Risk Management
   Independent Contractor Basics, Exposure & Risk Management Recommendations
   Additional Risk Management Tips
   20 Factor Test - Independent Contractor or Employee?

J. 9. Workers Compensation Exposures and Recommendations
Basic Insurance Program Information

Since 1979 James R. Favor & Company has been developing and providing effective risk management and insurance programs for Fraternities and Sororities. This brochure was developed to address the basic information questions most commonly asked by Fraternities and Sororities, their officers, House Corporations, chapters, and volunteers about their National Insurance & Risk Management Program.

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Questions and Additional Help

Our staff is always available to answer your questions, discuss your individual circumstances or needs, and assist you in establishing or making adjustments in your insurance program. Please contact us at James R. Favor & Company, 14466 East Evans Avenue, Aurora, Colorado 80014-1409. WATS (800) 344-7335 • TEL. (303) 750-1122 • FAX (303) 745-8669.

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Certificates of Insurance

Certificates of Insurance are available upon request (but may require approval from your National Headquarters). They provide additional information such as, the policy numbers, underwriters, policy periods, limits of coverage and deductibles. Direct requests to James R. Favor & Company, 14466 East Evans Avenue, Aurora, Colorado, 80014-1409. WATS (800) 344-7335 • TEL. (303) 750-1122 • FAX (303) 745-8669.

1) Commercial General Liability: This coverage, often referred to as General or Public Liability insurance, provides insurance protection against bodily injury and property damage claims brought against the insureds by third parties or members of the public. The basis for such claims is an allegation of negligence against one or more of the insureds which has resulted in damages to the third party. If a claim or lawsuit is filed against the insureds, the insurance company has both the right to settle and a duty to defend the insureds against the claim or suit.

2) Hired & Non-Owned Automobile Liability: This coverage provides insurance protection against bodily injury and property damage claims brought against the insureds by third parties or members of the public. The basis for such claims is an allegation of negligence with respect to the ownership or use of a covered automobile, which has resulted in damages to the third party. If a claim or lawsuit is filed against the insureds, the insurance company has the right to settle and a duty to defend the insureds against the claim or suit. This coverage does not provide or replace anyone’s personal automobile insurance. In most states the insurance of the automobile operator or owner will be primary.

3) Excess Umbrella Liability: This coverage provides additional limits of insurance protection in excess of your Commercial General Liability and Hired & Non-Owned Automobile Liability coverages. It protects against the insureds’ exposures to catastrophe size or types of losses such as freak injuries, auto crashes, fires, or other accidents that no one thought could happen or for which they felt they could not possibly be held accountable. It pays those insured losses that exceed the limits of the Commercial General Liability or Automobile Coverages, up to the separate additional limits of coverage under the excess umbrella policy.

4) Directors & Officers Liability: This coverage provides insurance protection for directors, officers, volunteers, employees, and for the organization. The basis for such claims is an allegation of “Wrongful Acts” against the insureds individually or the organization. “Wrongful Acts” means any actual or alleged act, error, omission, misstatement, misleading statement, neglect or breach of duty by the directors, officers, or the organization in the discharge of their duties. If a claim or lawsuit is filed against the insureds, the insurance company has the right to settle and provides coverage to defend the insureds against the claim or suit.
5) Property: This coverage provides insurance protection against direct physical loss or damage to property owned by the Fraternity or Sorority. Coverage extends to buildings, contents including EDP equipment and Fine Arts, Loss of Income, and Extra Expense. Replacement Cost protection is provided for buildings and contents. Actual Loss Sustained protection is provided for Loss of Income and Extra Expense. Fine arts such as silver, jewelry, paintings and items of rarity or historical nature are protected for Market Value, without requirements for schedules or specific valuations. Building Codes or Law & Ordinance Coverage provide insurance protection for the costs of compliance with such areas as A.D.A., Life Safety Codes or Sprinkler Ordinances, when they are triggered by insured losses.

6) Equipment Breakdown: For Fraternity or Sorority owned property, this coverage provides insurance protection for the types of property and against the kinds of losses not covered by property insurance. Boilers, heating, refrigeration or air conditioning systems, computers, and virtually all other forms of electrical or mechanical equipment breakdown are protected. Common causes of losses are explosion, burning or cracking, motor burnouts, electrical damage, power overloads, food spoilage, and mechanical breakdowns from centrifugal force or metal fatigue. 80% of all claims are from electrical or air conditioning equipment. As with the property coverage, Replacement Cost, including Building Codes or Law & Ordinance Coverage, Loss of Income and Extra Expense protection are also provided.

7) Difference In Conditions: For Fraternity or Sorority owned property, this coverage provides insurance protection against specific types of potentially large or catastrophic losses such as Earthquake and Flood. Coverage is subject to separate Annual Aggregate Limits for Earthquake and Flood. For its specific perils, this insurance coverage provides the same type of protection as the Property and Equipment Breakdown insurance coverages. Due to the wide variation in these types of exposures, only specific locations are protected.

8) Fidelity Bond: This coverage provides insurance protection on behalf of the insureds against loss of money, securities, or other property, due to the fraudulent or dishonest acts of employees or volunteers. Dishonest acts may be committed by any person while acting alone or in collusion with others. Dishonest acts must exhibit the intent to cause the insureds loss or to obtain financial benefit for themselves or others.

9) Travel Accident: This coverage provides insurance protection against Accidental Death for persons traveling on behalf of the Fraternity or Sorority. Coverage for Loss of Limbs, Speech, Hearing or Sight is also provided. Protection is provided only for business travel on behalf of the Fraternity or Sorority. Travel must be directed by or with the knowledge and approval of the Fraternity or Sorority boards, a board member, or the Fraternity or Sorority Headquarters. This coverage does not apply to travel for events at the local chapter or House Corporation level.
**Reporting of Claims or Accidents**

Any loss or claim that may involve the protection afforded by your insurance program should be reported promptly to James R. Favor & Company. Prompt reporting often prevents minor claims from becoming major problems. **Failure to report claims promptly violates one of the conditions of your insurance policy and could relieve the insurance company from the responsibility for payment of an otherwise valid claim.**

A telephone call will begin the claim service process. If written reports are necessary, they should be forwarded as soon as possible. Once the initial report is received, claims adjusters from the nearest office of the insurance company or independent adjusters from your local community will be assigned as necessary. **Please make everyone concerned aware of the following important duties regarding claims.**

**Your General Claims Duties**

- **Report Claims Promptly To:** James R. Favor & Company, 14466 East Evans Avenue, Aurora, Colorado, 80014-1409. WATS (800) 344-7335 • TEL. (303) 750-1122 • FAX (303) 745-8669.

- **Emergency Medical Treatment For Injured Persons:** As necessary, secure appropriate emergency medical attention for any and all injured persons.

- **If Suit Is Filed Or Legal Process Served:** If suit, legal process or claim notice is served upon anyone, immediately notify and forward copies of the suit materials to James R. Favor & Company, your organization, and the insurance company claims adjuster.

- **Do Not Admit Liability, Accept Responsibility Or Make Public Statements:** Your insurance policy requires that no one shall, except at their own expense, make any payments, assume obligations, or incur any expense other than first aid. **Only the insurance company is authorized to accept responsibility, pay for repairs, defend or otherwise settle a claim.**

- **Cooperate With The Insurance Company:** As requested, authorize the insurance company to obtain and inspect necessary records and other information. Cooperate with the insurance company in the investigation, defense and settlement of all claims.

- **Assist With The Insurance Company’s Rights:** As requested, assist the insurance company in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which your insurance applies.

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Since 1979 James R. Favor & Company has been developing and providing effective risk management and insurance programs for Fraternities and Sororities. This brochure was developed to address the basic information questions most commonly asked by Fraternities and Sororities, their officers, House Corporations, chapters, and volunteers about “Certificates of Insurance”.

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Requesting Certificates

Certificates of Insurance are available upon request (but may require approval from your National Headquarters). They provide additional information such as, the policy numbers, underwriters, policy periods, limits of coverage and deductibles. Write or Fax requests to James R. Favor & Company, 14466 East Evans Avenue, Aurora, Colorado, 80014-1409. WATS (800) 344-7335 • TEL. (303) 750-1122 • FAX (303) 745-8669.
1) Certificate Basics: Certificates of Insurance and other Evidence of Insurance forms are the basic information communication tools of the insurance industry. Whenever one party requires another party to secure and maintain some form of insurance, they should also require satisfactory evidence that this has, in fact, been done. This circumstance usually arises from various forms of contracts that are related to fraternity or sorority operations and activities.

Examples include: Relationship Statements or School Recognition Requirements, Equipment Leases, Leasing Facilities owned by Others for Social Functions or Fundraising Activities, Chapter House Leases or Housing Agreements, Remodeling or New Construction Projects, and especially with any Employment or Independent Contractor Agreements.

2) Certificates are Information Only: The principal function of any certificate or evidence of insurance is just to provide evidence of and convey basic information about the insurance coverage carried by another party. Insurance certificates are not intended to provide insurance for the party to whom they are furnished. Certificates are not intended to amend, extend or alter the coverage afforded by the insurance policies.

3) Additional Interest Definitions:
Mortgagee: Added to a property insurance policy. Intended to protect the mortgagee’s interest against physical loss or damage to the property.

Loss Payee: Added to a property insurance policy. Directs the insurance company to pay any loss or damage to specified property insured to a designated party other than the insured.

Additional Insured: Added to a liability insurance policy. Intended to provide limited coverage to a party other than the insured for liability arising out of the insured’s premises or operations.

4) Who Needs Certificates? Everyone needs certificates! Certificates of insurance are the principal method used to provide evidence of your insurance coverage to the fraternity or sorority’s various organizational components (Chapters, House Corporations, Alumni Groups and Volunteers). They are also used to provide evidence of your insurance to third parties such as (Schools, Lenders or Landlords).

Certificates are normally issued annually or as required. They may be copied as repeated use may be needed during the policy year. For chapters we suggest they be retained with a specific officer or with the chapter’s important records. For others we suggest retention with the corporate records or other important documents.

From the fraternity or sorority’s perspective, there are numerous situations in which you will want to know that the parties you are dealing with have insurance to meet their obligations to your organization. Examples include: Payment of workers’ compensation benefits to injured employees, payment for any damage to your property, payment for liability assumed under contract, or proper insurance coverage for responsibilities assumed by others such as bartenders or security guards.

5) Added Attention For Special Exposures: We continue to recommend lead time, documentation and added attention for special fraternity or sorority exposures. Special exposures include: 1) For “Independent Contractors”, Workers’ Compensation, General Liability and Automobile insurance. 2) For Security Guards, coverage for Personal Injury exposures (False Arrest, Invasion of Privacy, etc.) 3) For Alcohol related service providers, coverage for both Host Liquor and true Liquor Legal Liability. 4) For Transportation Services, adequate Automobile Liability limits. 5) Have you been protected as an Additional Insured under the other party’s insurance coverage where appropriate?
6) The “Last Stand” for Risk Management: While likely not your first Risk Management opportunity, providing a certificate or evidence of your insurance to others or obtaining a certificate or evidence of insurance from others will almost certainly be the “Last Stand” for Risk Management. This may be the last chance you will have to apply risk management techniques to a given exposure or potential loss situation.

When providing certificates to others you should again review your exposures. More importantly, review the limitations of your own insurance. Every attempt should be made to avoid the unknowing assumption of risk, and to the greatest extent possible, contain your risks within the scope of your insurance. Not all risks that you may assume are insured.

When you obtain certificates of insurance from others we will be pleased to assist you by reviewing the insurance they maintain to support their obligations. Some frequently found errors include: 1) Incorrect Coverage or Insureds, 2) Inadequate Limits, 3) Missing Additional Insureds.

Proposed contracts or agreements should be subjected to a joint review by your legal counsel and insurance representatives. As your insurance representatives we will work with you and your legal counsel to review the agreement’s exposures and insurance obligations. This review process often reveals increased or previously overlooked exposures that can be significantly reduced or totally avoided by revising the related plans and contractual or insurance obligations.

Your legal and insurance advisors need complete information, documentation and adequate time to perform these functions well. This is particularly true if alcohol or other hazardous exposures exist. Especially if Risk Management issues have been given little prior consideration, we urge you to use the providing or obtaining of insurance certificates as the “Last Stand” for Risk Management.

7) Hold Harmless & Indemnity Clauses: Risk transfer to others is a fundamental risk management technique. This is best done under a written agreement containing Hold Harmless and Indemnity Clauses. Effective use of this Risk Management technique requires that your legal counsel drafts or reviews the legal agreement. We will assist by reviewing Risk Management considerations with your legal counsel.

A Hold Harmless clause attempts to relieve one party from claims for damages or liabilities that might arise via their relationship with the second party. An Indemnity clause usually accompanies the Hold Harmless clause. The Indemnity clause requires the party providing the indemnity to defend and pay any claims or damages the party being Held Harmless may become legally obligated to pay to a third party.

The opportunity for fraternities and sororities to apply or be faced with this basic Risk Management technique is almost endless. Some examples include: 1) Leases, 2) Social Functions or Events, 3) School Recognition or Relationship Statements, 4) Independent Contractors. Properly executed, this has been proven to be a very effective risk transfer and loss control technique for fraternities and sororities and we recommend its use whenever possible. Don’t forget to require, ask us to review, and retain in your records the certificates or evidence of insurance materials provided by others to support agreements in your favor.

The respective bargaining positions of the parties will usually, to a large degree, determine how risks are transferred. While they remain an effective Risk Management technique for fraternities and sororities, overly broad Hold Harmless and Indemnity Clauses may be overturned and declared invalid by some courts as being unfair or contrary to public policy. If a Hold Harmless agreement is ruled invalid by a court, the contractual liability insurance carried by the indemnitor may be worthless.
8) Additional Insured: Additional Insured status is another basic risk management technique. Hold Harmless and Indemnity clauses are of greatest value only when supported by insurance or significant assets. When one party transfers risk or is promised indemnity by another, evidence of insurance to support the promised indemnity should also be required.

Being added as an Additional Insured under another party’s insurance, establishes for the Additional Insured a limited but valuable added measure of protection. An Additional Insured can tender suits or submit claims directly to the other party’s insurer for handling. Being an Additional Insured can be an effective basic Risk Management technique to insulate your insurance program from potential losses.

Insurance companies commonly attempt to restrict coverage for an Additional Insured to claims for damage or liability that arise out of the premises or operations of their policy’s Named Insured. In order to secure coverage as an Additional Insured you often must allow the insurer to choose defense counsel and control the defense. Becoming an Additional Insured is not intended to increase the limits or otherwise change the coverage that a policy affords.

Factors such as insurer solvency, legal decisions, and insurance regulatory actions can set aside even the best risk management plans. If as an Additional Insured your claims are denied or go beyond the scope of the insurance, you must rely on other sources of indemnity or face an uninsured loss. The most important source of protection for you against losses or claims remains your own insurance program.

9) Whose Insurance is Primary? The Additional Insured Risk Management technique can give rise to other difficulties. When two insurance policies potentially apply to the same claim, the question of which policy is primary or first to pay usually arises. Failure to anticipate and address this topic can result in unexpected losses. Your insurer may have to respond to a claim against you for risks that you thought had been transferred to others.

This can result in defense costs or claims costs ultimately being charged against your insurance program. If the potential for loss is significant, insurers attempting to determine the payment priority obligations of their policies may be reluctant to clearly confirm coverage or provide defense for claims that have been presented.

To avoid unexpected losses and potential problems in this area we recommend that your Hold Harmless or Indemnity clauses, Additional Insured arrangements, and the related insurance coverage specifically address the following additional points:

1) If a claim is presented, the other party’s insurer will be primary (Pay First). Your own insurance will be excess and non-contributory (Pay Only After the Other Party’s Insurance).

2) The other party’s insurer will provide and pay for your defense if a claim is presented.

3) The other party’s insurer will provide and pay for separate counsel on your behalf if considered necessary by your legal counsel.

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Providing a Certificate of your Insurance to another party may be the last chance you will have to apply Risk Management techniques to a given exposure or potential loss situation. To provide Risk Management Services, our staff and your legal advisors need complete information, documentation and adequate lead-time. Your cooperation in following the procedures outlined below will enable our staff and your legal advisors to provide you with effective, and prompt Risk Management Services in response to your Certificate of Insurance Request.

1) Written requests from the party requesting a certificate of your insurance will speed Risk Management evaluation, response, and minimize errors by providing details of the requirements and communications information.

2) To accurately issue certificates of insurance the following information is needed: Fraternity or Sorority Name, Chapter Name, School, Mailing Address, The Parties Concerned, Insurable Interests, The Reason for Providing a Certificate, Contact Information, Date Required, and Cancellation Requirements. For lenders the Customer or Loan Number and Required Property Values may be necessary.

3) Requests and supporting documentation should be received in our office 30 days before the certificate is needed. This permits the time needed for gathering added information, review by your legal counsel or the insurance company, and accomplishing adjustments as necessary.

4) Review all contracts with your legal counsel before execution. We do not offer legal advice or draft contractual agreements. We will be pleased to assist your legal counsel in reviewing the risk management considerations of contracts.

5) Functions, Special Events and any Additional Insureds deserve special attention in order to review and attempt to minimize your exposures. Certificate requests for these types of activities should include a complete function planning form including all the appropriate attachments.

6) Risk Management Services and Certificates of Insurance are provided at no charge. Extra charges may apply for Additional Insureds, and for any extra expenses incurred for priority handling. (Express Mail, Federal Express).

7) Certificates of Insurance will provide the policy numbers, underwriters, policy period, coverages, limits and deductibles.

To Request Certificates

Write or Fax requests to James R. Favor & Company, 14466 East Evans Avenue, Aurora, Colorado 80014-1409. WATS (800) 344-7335 • TEL. (303) 750-1122 • FAX (303) 745-8669.
Establishing Your Property Insurance Values

Since 1979 James R. Favor & Company has been developing and providing effective risk management and insurance programs for Fraternities and Sororities. This brochure was developed to address the questions most commonly asked by Fraternities and Sororities, their officers, House Corporations, chapters, and volunteers about establishing their property insurance values.

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Questions and Additional Help

Our staff is always available to answer your questions, discuss your individual circumstances or needs, and assist you in establishing or making adjustments in your insurance program. Please contact us at James R. Favor & Company, 14466 East Evans Avenue, Aurora, Colorado 80014-1409. WATS (800) 344-7335 • TEL. (303) 750-1122 • Fax (303) 745-8669.

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Important Insurance Terms

1) Buildings: Structures owned by the Fraternity or Sorority or its House Corporations including completed alterations and repairs or additions to the structure and additions under construction. Buildings do not include land, water, foundations or supports below the surface of the lowest floor/basement, outdoor trees, shrubs, plants or lawns.

2) Building Codes / Law or Ordinance: A Building Code, Law or Ordinance, in effect at the time of loss or damage, that regulates the zoning, land use, or construction of a building, which affects the reconstruction, repair or replacement of a damaged building. Usually these laws or ordinances operate to impose added costs for upgrading various areas to current required standards (i.e., electrical wiring, plumbing, heating, fire alarms or sprinkler systems, emergency lighting, or other life safety codes).

3) Contents or Personal Property: All contents or personal property owned by the Fraternity or Sorority, its House Corporations or chapters. Any property of others at your premises (except members and tenants property). If you are a tenant, your interest in any tenant’s improvements and betterments are included. This does not include the personal property of the undergraduate chapter members or any other tenants, or a building, land or water.

4) Fine Arts: Personal property owned by the Fraternity or Sorority, its House Corporations or chapters. Fine Arts items may include: Paintings, rare books, manuscripts, pictures, etchings, drawings, bronzes, statuary, porcelains, and other bona fide works of art, or other unique items of rarity or historical value such as fraternity or sorority memorabilia.

5) Replacement Cost: The cost to repair, replace, or restore the damaged property with materials of comparable kind and quality to the condition which existed prior to the damage. Claim payments are made without any deduction for depreciation if the damaged property is repaired or replaced.

6) Market Value: The price for which Fine Arts property would sell if sold on the date it is lost, damaged or destroyed.

7) Business Income: The business’s net income including rental income, before the physical loss or damage, the continuing expenses after the loss or damage, and the business’s likely net income if no loss or damage had occurred.

8) Extra Expenses: All expenses paid to reduce a business income loss. Any reasonable additional expenses necessary to continue as nearly as practical your normal operations, which exceed the normal expenses that would have been incurred during the period of restoration if no physical loss or damage had occurred.

9) Actual Loss Sustained: The total amount of business income lost, including the necessary continuing expenses, and any reasonable extra expenses incurred to continue, as nearly as practical, your normal operations during the period of restoration.

10) Period of Restoration: The period of time that begins with the date the property is physically damaged or destroyed and ends when damages are repaired and operations are restored to the condition that would have existed if no physical loss or damage had occurred.

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Establishing Your Property Insurance Values

Buildings

Building Values will be prepared or updated by our office. They will be based on 100% of the current estimated “Replacement Cost”. These are prepared using a customized computer program and the detailed information obtained from our Risk Management Survey & Inspection Report.

These estimated values should be reviewed and adjusted to reflect any recently completed remodeling, improvements or renovations about which we may be unaware. Be sure to include any recent building additions, or Life Safety and Loss Control improvements such as fire doors, improved fire alarms or sprinkler systems, emergency lighting, or other life safety codes.

Building Codes / Law or Ordinance

The estimated building values prepared by our office will include estimated building code / law or ordinance costs. They will be based on 100% of the potential building codes / law or ordinance upgrade costs. The older the building, the greater the potential for significantly added costs. Recent building codes / law or ordinance claims have ranged between 15% and 30% of the current insured building value often exceeding $200,000.

Fine Arts

Fine Arts Values should be based on 100% of the current estimated “Market Value”. As market values can fluctuate rapidly and widely, this type of property should be appraised regularly. These values should be reviewed at least annually and the updated information provided to our office.

Contents

Contents / Personal Property Values should be based on 100% of the current estimated “Replacement Cost”. A current video tape record, combined with a detailed contents / personal property inventory including current replacement cost estimates, provides the most accurate information and the best resource for claims handling when a loss occurs. Members / Tenants property should not be included. These values should be reviewed at least annually and the updated information provided to our office.

Your input is very important! Fraternity and Sorority losses show that contents / personal property claim costs vary widely. Recent claims for contents / personal property have ranged between $1,500 and $3,000 per chapter house resident. Items which are often overlooked when estimating your contents / personal property values include: Ritual equipment, composites, smaller purchases or donated property. Update your contents / personal property values to 100% of current estimated “Replacement Cost”.

Business Income

Business Income Values should be based on 100% of the current estimated annual business income. These estimates should reflect the most current circumstances and projections. Be sure to include all sources of income. The most common sources of income include: 1) Rental income, 2) House Corporation fees, 3) Maintenance fees, 4) Summer income, 5) Income from fund drives, 6) Interest income. These values should be reviewed at least annually and the updated information provided to our office.

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Establishing Your Property Insurance Values

Extra Expense

Extra Expense Values should be based on 100% of the current estimated annual costs for extra expenses. Estimates should reflect the House Corporation / chapter’s most current circumstances and projections. Extra expense costs will likely arise from: Temporary living expenses, chapter house resident relocation costs, alternate housing and meal services, property storage costs, or rental of alternate meeting facilities. These values should be reviewed at least annually and the updated information provided to our office.

Your input is very important! Fraternity and Sorority losses show that extra expense claim costs vary widely. The longer the period of restoration the greater extra expense costs. Several claims have exceeded $100,000. Recent claims for extra expenses have ranged between $1,000 and $3,000 per chapter house resident. Total extra expense claims were between $25,000 and $50,000.

Leases / Housing Agreements

Written Lease Agreements should always exist between the House Corporation (landlord) and the chapter, its members or others (tenants). They should hold the House Corporation (landlord) harmless against any liability for any actions of the chapter, its members or others (tenants), or for any loss or damage to their personal property. If available, always use the lease or housing agreements approved by your National Fraternity or Sorority. We will be pleased to work with your legal counsel in developing or updating your lease or housing agreement.

Members / Tenants Property

Members / Tenants Property is not covered by the Fraternity or Sorority’s insurance program. Your lease / housing agreement should clearly make members and tenants responsible for insuring themselves against loss or damage to their own property or for any legal liabilities which may be imposed on them. The most common sources of protection are the individual’s parent’s homeowners policies or renters policies.

ITEMS TO DISCUSS WITH JAMES R. FAVOR & COMPANY

** DISCLAIMER NOTICE **

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1) Respond Promptly To The Report: Respond in writing to James R. Favor & Company with a copy to your headquarters. Acknowledge receipt of the report and address your planned response to each “Requirement For Change”.

2) Implement Changes Where Possible: We understand that the “Requirements For Change” cannot always be accomplished immediately. However, those requirements which involve only minimal or nominal costs, should be promptly addressed and implemented. Your response should clearly state which items have been addressed.

3) A Risk Management Plan For Changes: In responding to the inspection report, develop and outline your proposed plan and timetable for accomplishing those items which cannot be addressed immediately. Your underwriters are reasonable and they understand that some requirements may involve greater costs and will take time to complete.

4) Assistance In Developing Your Risk Management Plan For Changes: James R. Favor & Company and your headquarters will be pleased to assist you in developing a written plan for accomplishing the “Requirements For Change”.

5) Obtain Estimated Costs: Secure estimated costs from qualified contractors for the necessary changes. Once approximate costs are known, determine if costs can be budgeted for or if special funding will be needed. Do not forget that the Fraternity / Sorority supports your efforts. Some even have special Life Safety Loan Programs available to provide assistance for your efforts.

6) Submit Your Final Plan & Timetable: Once costs and funding have been addressed, establish a timetable for accomplishing the needed changes. Prepare your written plan, including estimated costs and timetable, and submit it to James R. Favor & Company and your headquarters.

7) Keep Communications Open: Neither your underwriters or headquarters are unreasonable. We recognize that with any plan, situations may arise which require revisions. If this becomes necessary, please advise us accordingly and provide a revised timetable for the completion of your plan.

8) Confirm Requirements Are Completed: Advise James R. Favor & Company and your headquarters in writing as the various requirements are accomplished and completed. This will assure that you receive the best possible insurance rates.

**FINANCIAL ASSISTANCE FOR LIFE SAFETY / LOSS CONTROL**

Many National Fraternity / Sorority organizations have established special programs to financially assist House Corporations and chapters with life safety / loss control needs. Contact James R. Favor & Company or your National Headquarters for the latest information.

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THE LEADING CAUSES OF CHAPTER HOUSE FIRES
(NATIONAL FIRE PROTECTION ASSOCIATION ANALYSIS OF 685 CHAPTER HOUSE FIRES)

<table>
<thead>
<tr>
<th>CAUSE</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Misuse of Electricity, Over Fusing</td>
<td>18.8%</td>
</tr>
<tr>
<td>Careless Smoking and Match Disposal</td>
<td>17.9%</td>
</tr>
<tr>
<td>Incendiary or Suspicious (Arson)</td>
<td>16.2%</td>
</tr>
<tr>
<td>Kitchen and Cooking Hazards</td>
<td>12.4%</td>
</tr>
<tr>
<td>Defective Heating Devices or Chimneys</td>
<td>11.0%</td>
</tr>
<tr>
<td>Miscellaneous or Undetermined</td>
<td>10.8%</td>
</tr>
<tr>
<td>Spontaneous Ignition</td>
<td>6.1%</td>
</tr>
<tr>
<td>Open Fireplaces and Sparks</td>
<td>5.1%</td>
</tr>
<tr>
<td>Lightning</td>
<td>0.9%</td>
</tr>
<tr>
<td>Ignition from Adjacent Buildings</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

LOCAL FIRE REGULATIONS
- Familiarize yourself with current local fire codes
- Seek fire department / insurance inspectors assistance
- Meet all fire safety recommendations without delay

FIRE / SAFETY INSPECTIONS
- Establish regular fire department inspections
- Perform monthly fire / safety inspections
- Familiarize yourself with safety systems each school term

FIRE DETECTION / ALARM SYSTEMS
- Install automatic “hard-wired” fire detection systems
- Install “central station monitored” fire alarm systems
- Regularly test and maintain all safety systems

FIRE DOORS / FLAMMABLES
- Install approved fire doors as recommended
- Prohibit “wedging open” of any fire doors
- Prohibit abuse of fire protection equipment
- Store flammables outside in well ventilated areas

LIGHTING / EXITS
- Install automatic battery powered emergency lighting
- Install automatic battery powered lighted exit signs
- Equip all exits with emergency “crash bar openers”
- Keep all exit ways clear of any storage and clutter

REGULAR FIRE DRILLS PROCEDURES
- Conduct fire drills each school term
- Post emergency evacuation plans in each room
- Post emergency phone numbers on each phone
- Designate specific / safe outside meeting place
- Immediately account for all house occupants / visitors

HEATING / ELECTRICAL INSPECTIONS
- Schedule professional inspections each year
- Have repairs promptly performed by professionals
- Establish regular maintenance and service contracts

ELECTRICAL
- Do not overload circuits / use ground (GFIC) outlets
- Do not use multi-outlet or frayed extension cords
- Prohibit the use of halogen light fixtures

CHAPTER HOUSE SECURITY
- Improve chapter house locks / install exterior lighting
- Provide supervision and security during vacant periods
- Establish fire / security inspection each night

KITCHEN / COOKING PROTECTION
- Regular professional cleaning of cooking areas
- Install / regularly service automatic fire suppression systems
- Regularly service / maintain portable fire extinguishers

CONTROL SMOKING
- Establish “NO SMOKING” rules in sleeping areas
- Designated smoking areas / provide proper receptacles
- Clean / inspect for hazards immediately after functions

SOCIAL EVENT CLEAN-UP / INSPECTIONS
- Use non-flammable party decorations
- Clean up immediately following all social events
- Check trash disposal areas / furniture for fire hazards

INSTALL SPRINKLER SYSTEMS
- Sprinkler systems greatly reduce risks of death / injury
- Sprinkler systems reduce property damage by 50-66%
- Sprinkler systems save lives and reduce insurance cost
APPENDIX J.5.

Fire Protection / Automatic Sprinkler Systems

James R. Favor & Company

Fraternity / Sorority Risk Management & Insurance Program

Fire Protection / Automatic Sprinkler Systems

Risk Management Recommendations

Our recommendations present general information for Fraternity / Sorority groups considering the installation of Automatic Fire Protection Sprinkler Systems. They are provided to assist you in loss control and project evaluation. Attention to these areas will enable our staff and your underwriters to assist you in developing cost effective protection, and to maximize your insurance savings based on the improved Property & Life Safety provided by Automatic Fire Sprinkler System Protection.

1) Contact your local authorities (i.e., Fire Marshall). Request that they advise you in writing about the type of sprinkler protection they will approve or require for your facility.

2) Ask your local authorities for their comments and recommendations on sprinkler firms. Request detailed written proposals from at least two qualified sprinkler protection firms.

3) Have a current fire hydrant flow test done and check the property water line to verify that your current water supply is adequate for the sprinkler system. Reliance on historical data may provide inaccurate water supply information.

4) Automatic sprinkler system design and layout should conform to NFPA 13R or a recognized authority having jurisdiction. NFPA Standards would be the preferred standard for design and layout of sprinkler systems. If the NFPA 13R Standard cannot be used, ask WHY NOT?

5) Working sprinkler plans in accordance with NFPA 13R should be provided to your Insurer for review of and comment on the sprinkler plans.

6) Hydraulic calculations & test results indicating the performance of the sprinkler system and design area calculations should be provided to the appropriate parties for review.

7) NFPA 13R does not require sprinklers in attics. As they are frequent sources of Fraternity and Sorority fires, evaluate your attic exposures. If storage or equipment exposures exist, sprinkler protection should be strongly considered.

8) All sprinkler systems should include alarms that are connected to a monitored central station. A continuous testing and maintenance program should be instituted in accordance with NFPA 25 to ensure for proper operation of the sprinkler system and its components.

9) Dry sprinkler systems, additional insulation or suitable alternatives should be provided in attics and any other areas subject to freezing.

10) If NFPA Standards are not utilized, provide documentation of the design standard for the authority having jurisdiction for proper review of the design and approval of the sprinkler system.

For Further Information or Assistance

Write or Fax requests to James R. Favor & Company, 14466 East Evans Avenue, Aurora, Colorado 80014-1409. WATS (800) 344-7335 • TEL. (303) 750-1122 • FAX (303) 745-8669.

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The Federal Volunteer Protection Act, 42 U.S.C. § 14501, takes effect in late September, 1997. Its purpose is to protect volunteers from liability from their acts while performing services for nonprofit organizations without compensation. The nonprofit organization must be primarily for charitable, civic, educational, religious, welfare or health purposes.

Clearly, volunteers for fraternity-related educational foundations are protected by the Volunteer Protection Act. Similarly, people who volunteer on behalf of universities are protected by the new law. There may be circumstances where volunteers for fraternities are also protected.

The status of fraternity volunteers is more complicated than volunteers for the university or volunteers for the foundation. For example, a chapter advisor who is appointed by a college to carry out specified educational functions with a particular fraternity chapter is entitled to protection under the Volunteer Protection Act. The same volunteer appointed by the national fraternity is less likely to be protected. The probabilities of protection are enhanced if the general fraternity appoints the chapter advisor in order to comply with a request or regulation by the college. Similarly, the general fraternity can improve the chances of its chapter advisors being protected by the Volunteer Protection Act if it clearly defines the role of chapter advisors as educational rather than administrative or disciplinary.

While it is true that well-managed fraternities insure all of their volunteers against liability, it also should be true that a fraternity that is able to bring its volunteers under the Volunteer Protection Act may be able to negotiate lower insurance rates in the future.

Interesting aspects of the Volunteer Protection Act include the following:

- The federal law preempts state law to the extent that state law is in conflict with the federal law.
- There is a procedure whereby a state may opt out of the protection of the Volunteer Protection Act with regard to disputes involving only residents of the state.
- The protection is waived by criminal misconduct, gross negligence or reckless misconduct, or a flagrant indifference to the rights or safety of an individual. Thus, an advisor who passively or actively encourages unlawful behavior such as hazing or underage drinking is waiving protection under the Act.
- Injuries caused by a volunteer operating a vehicle are not covered by the Volunteer Protection Act if there is a state law requiring both licensing and insurance.
- There is no protection for harm caused through sexual misconduct.
- There is no protection for harm caused by violation of federal or state civil rights laws.
- There is no protection if the volunteer was under the influence of intoxicating alcohol or drugs at the time of the injury.

It remains to be seen what the practical effect of the Volunteer Protection Act will be. How it applies to fraternity volunteers can be influenced by the way in which the fraternity defines the role of the volunteer. Any volunteer can waive immunity through participating in or encouraging illegal conduct, through acting under the influence of alcohol or drugs, or through sexual misconduct.

Fraternities, universities and related foundations should examine the way in which they describe the activities of their volunteers. A clear statement of the educational role of the volunteer should help establish immunity. All organizations who hope to have immunity for their volunteers should consider a code of conduct for volunteers. --- Robert E. Manley, Fraternal Law, September 1997
APPENDIX J.7.
Risk Management Recommendations
for Chapter House Lease / Housing Agreements

James R. Favor & Company

Theta Tau
Risk Management &
Insurance Program

Risk Management Recommendations For
Chapter House Leases / Housing Agreements

Since 1979 James R. Favor & Company has been developing and providing effective risk management and insurance programs for Fraternities and Sororities. This brochure was developed to address the questions commonly asked by Fraternities and Sororities, their officers, House Corporations, chapters and legal counsel about leases / housing agreements. Although many variations exist, the Basic Risk Management relationships are reviewed in this brochure.

Consult With Your Legal Counsel

The responsibility for construction of lease agreements falls to the legal profession. We and your National Fraternity or Sorority recommend that you consult with your legal counsel on this and all other legal matters, especially those involving contractual or “hold harmless” agreements. Your legal counsel and our office, as your insurance brokerage representatives, should work together to develop and review agreements prior to their execution. Our Toll Free Wats Line, (800) 344-7335, is available should your legal counsel wish to review this topic with us further by phone.

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The Basic Risk Management Relationships

1) House Corporation: Usually a “Not For Profit” corporation operating under the laws of the state in which the chapter is located. Their primary purpose is to facilitate the ownership and operation of a chapter house for a collegiate or undergraduate Fraternity or Sorority chapter. (The Property Owner / Landlord / Lessor)

2) The Chapter: Commonly exists as an unincorporated association of individuals. They are established or “chartered” by a National Fraternity or Sorority organization and are usually formally “recognized” as a student organization by a school or “Host Institution” where they operate. (The Tenant / Lessee)

3) Members / Residents: This refers to either individual members of a collegiate or undergraduate Fraternity or Sorority chapter, or non-members wishing to live in the chapter house. (The Members / Residents / Sub-Lessees)

4) Non-Resident Members: All chapter members do not always reside in the chapter house. This refers to an individual member of a collegiate or undergraduate Fraternity or Sorority chapter who resides elsewhere, yet desires access and use of the Fraternity or Sorority chapter house. (The Non-Resident Members / Sub-Lessees)

5) National Fraternity or Sorority: A “chartering” National Fraternity or Sorority organization which establishes undergraduate or collegiate chapters at “Host Institutions” or schools. (The National Fraternity / Sorority)

6) The School: A college, university or other “Host Institution” at which the collegiate or undergraduate Fraternity or Sorority chapter is organized, “chartered” and operates.

Risk Management Recommendations for Chapter House Leases/Housing Agreements

1) Written Agreements Only: The House Corporation commonly acts as a Landlord. This should be always be done via a written legal agreement or Lease with the Chapter as the Tenant. It should be reviewed and signed each year by the appropriate officers for both parties.

2) No Agency: The written agreement or Lease should provide that the Chapter is not a subordinate or agent of the House Corporation.

3) Sub-Leases or Housing Agreements: The agreement or Lease should also provide for written Sub-Leases or Housing Agreements which are enforceable by the House Corporation (Landlord). Often as a lease addendum, these may address various topics, but should incorporate all basic provisions of the Lease between the House Corporation (Landlord) and the Chapter (Tenant). A written Sub-Lease or Housing Agreement should exist between each individual member, resident or non-resident member (Sub-Lessees) and the House Corporation (Landlord).

4) Use & Occupancy: The Lease, and Sub-Leases or Housing Agreements should formalize, explain and govern the relationships between the House Corporation (Landlord), the Chapter (Tenant), and each individual member, resident and non-resident member (Sub-Lessees) regarding the use and occupancy of the chapter house.

5) Responsibility & Guarantees: The Lease and Sub-Leases or Housing Agreements should provide for broad individual and collective responsibility. The Chapter (Tenant), and each individual member, resident, or non-resident member (Sub-Lessees), including their parents or any other co-signers or guarantors, should be fully responsible for the performance of all financial and other obligations.
6) Legal and Other Requirements: The Lease and Sub-Lease agreements should provide that the Chapter (Tenant), the chapter officers, and each member, resident, and non-resident member individually (Sub-Lessees) will not allow the property to be used for any unlawful purpose. They should also provide that the Chapter (Tenant) and each individual (Sub-Lessee) agree to be responsible for compliance with any school or insuror requirements and the regulations or laws, of the state, province, city, or county.

7) Fraternity or Sorority Policies: The Lease and Sub-Lease agreements should provide that the Chapter (Tenant) and each member, resident, and non-resident member individually (Sub-Lessees) will adopt, comply with, and enforce any policies, rules or regulations established by the Chapter (Tenant), House Corporation (Landlord), insuror, school or the “chartering” National Fraternity or Sorority.

8) Termination Of The Agreements: The Lease and Sub-Lease agreements should provide that the House Corporation (Landlord) has the right to terminate the agreement for any breach of the agreement, if they learn that violation of any laws has occurred on the property, or if the Chapter (Tenant) or any individual (Sub-Lessee) is no longer in good standing with the school or the “chartering” National Fraternity or Sorority.

9) Responsibility For Insurance: The Lease and Sub-Lease agreements should provide that the Chapter (Tenant) and each member, resident, or non-resident member individually (Sub-Lessee), are responsible for obtaining their own insurance protection. They should be advised to secure insurance for themselves against sickness, accidents, injury or death, loss or damage to their property, or for any legal liabilities which may be imposed on them for damage to persons or property.

10) Whose Insurance is Primary: The Lease and Sub-Lease agreements should provide that the Chapter’s (Tenant’s) and each individual’s (Sub-Lessee’s) own insurance will always be primary with respect to any sickness, accident, injury or death to themselves, or for loss or damage to their property, and for any legal liabilities which might be imposed on them for damage to persons or property.

11) Whose Insurance is Excess: The Lease and Sub-Lease agreements should provide that any insurance coverage maintained by the House Corporation (Landlord) or the “chartering” National Fraternity or Sorority will always be excess of and shall not contribute with any other insurance which may be available to the Chapter (Tenant) or any individual (Sub-Lessee).

12) Waiver of Subrogation: The Lease and Sub-Lease agreements should provide that if their property is damaged or destroyed and covered by their insurance, the Chapter (Tenant) and each individual (Sub-Lessee) waive any rights of recovery or subrogation which may exist against the House Corporation (Landlord) or the “chartering” National Fraternity or Sorority.

13) Responsibility For Negligence: The Lease and Sub-Lease agreements should provide that the Chapter (Tenant) and each member, resident, or non-resident member individually (Sub-Lessees), agree that they will be responsible for their own activities and liable for their negligent acts, errors or omissions.

14) Damage Or Destruction: The Lease and Sub-Lease agreements should provide for fair Rent Abatement, Termination, and prompt Repair or Restoration of the chapter house, in the event the property is damaged or destroyed by fire or other perils insured against.
15) Hold Harmless & Indemnification: The Lease and Sub-Lease agreements should provide that the Chapter (Tenant) and each member, resident, and non-resident member individually (Sub-Lessee) will hold harmless, indemnify, and defend the House Corporation (Landlord) and the National Fraternity or Sorority organization against any claims, damages, costs or expenses which may arise out of the Chapter’s (Tenant’s) or any individual’s (Sub-Lessee’s) activities, including but not limited to their own negligent acts, breach of the agreement, liabilities for financial loss, damage to property, or for injury or death to any person.

16) Insurance Program Provisions: The Lease and Sub-Lease agreements should provide for securing and maintaining insurance protection for the House Corporation (Landlord) and Chapter (Tenant) and for the fair allocation of the insurance costs between them. (Except insurance coverage which may be secured by a member, resident, or non-resident member (Sub-Lessee) individually for their own protection), all insurance coverage should be afforded under the insurance program which is required or recommended by the “chartering” National Fraternity or Sorority.

HELPFUL “HOUSE RULES” PROMOTING LOSS CONTROL

- Prohibit tampering with life safety systems and provide for payment of any service charges incurred.
- Prohibit inside storage of flammables, bicycles and motorcycles.
- Prohibit any firearms or weapons in the house or on the property.
- Prohibit access to the house roof.
- Prohibit chapter or individual pets.
- Require participation in scheduled fire drills each school term.
- Require that monthly life safety inspections be conducted with prompt correction of noted deficiencies.
- Require that the heat be maintained and property checked during vacations or extreme weather periods.
- Require areas, rooms and contents, which are assigned to the chapter or its members, be kept in good condition.
- Require that the premises be maintained in a safe and sanitary condition.
- Require that the chapter house be locked and secured at all times.

Consult With Your Legal Counsel

The responsibility for construction of lease agreements falls to the legal profession. We and your National Fraternity or Sorority recommend that you consult with your legal counsel on this and all other legal matters, especially those involving contractual or “hold harmless” agreements. Your legal counsel and our office, as your insurance brokerage representatives, should work together to develop and review agreements prior to their execution. Our Toll Free Wats Line, (800) 344-7335, is available should your legal counsel wish to review this topic with us further by phone.

Copyright © 1999 James R. Favor
Since 1979 James R. Favor & Company has been developing and providing effective risk management and insurance programs for Fraternities and Sororities. This brochure was developed to assist Fraternity and Sorority officers, House Corporations, chapters and volunteers in reviewing their Independent Contractors exposures, establishing sound risk management procedures and, as necessary, revising their insurance programs to help them reduce their exposures to Independent Contractors and potential uninsured losses.

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Questions and Additional Help

Our staff is always available to answer your questions, discuss your individual circumstances or needs, and assist you in establishing or making adjustments in your insurance program. Please contact us at James R. Favor & Company, 14466 East Evans Avenue, Aurora, Colorado 80014-1409. WATS (800) 344-7335 • TEL. (303) 750-1122 • FAX (303) 745-8669.
1) Independent Contractor Basics: Are Independent Contractors what they may first appear to be or are they really employees? What exposures exist related to their status? **Written Agreements are essential in defining and controlling Independent Contractor exposures.** In reality, Independent Contractors create a variety of risks for Fraternities and Sororities.

In at least one way, the 1986 Tax Reform Act made Independent Contractor status more attractive. It established that self-employed persons could deduct 25% of their medical insurance premiums from gross income rather than as an itemized deduction. The Independent Contractor status may be appealing to some persons for other reasons. They may have medical insurance available through a spouse. Usually, it’s the thought of getting paid without “all those deductions” that the Independent Contractor finds most appealing.

2) Management’s Interests: Management’s interest in utilizing Independent Contractors is usually, primarily driven by an employer attempting to avoid ever-increasing employee costs. The costs of insuring employees and providing competitive benefits are significant. In recent years, these costs have been driven most by increased employee benefits and the related costs of Worker’s Compensation and Medical Insurance. **Employee benefit costs today are estimated to represent between 30%-40% of payroll.** When every payroll dollar means up to $1.40 in total expense, the incentive to cut costs is strong.

If these people are not classified as employees and that position is sustained if later challenged, a Fraternity or Sorority may be spared these costs. Under typical Independent Contractor agreements, the Fraternity or Sorority does not withhold income taxes, FICA, or unemployment taxes. The agreement should also provide that the Independent Contractor is not entitled to Worker’s Compensation or other Employee Benefits that are normally provided to employees by the Fraternity or Sorority.

3) Identifying Hidden Risks: A Fraternity or Sorority considering the use of Independent Contractors should look at a broad range of issues. If ignored, these issues can expose the Fraternity or Sorority to potentially huge financial and legal penalties. **Improperly undertaken, Independent Contractor relationships with prior or potential employees can create employer liabilities that greatly exceed potential savings.** Some of the key issues to be considered by Fraternities and Sororities include:

a) Enforcement agencies or the courts can look beyond the Independent Contractor agreements. A 20-Factor Test is commonly used to determine whether the substance matches the form of the relationship described in the agreement and if the contractor is truly “independent”.

b) If enforcement agencies or the courts determine that an Independent Contractor is actually an employee, not only the corporation, but top management and others may all be liable for back wages, payroll taxes, and/or penalties.

c) Workers’ Compensation savings may well be offset by increased liability exposures. **Statutory Limits under Workers’ Compensation are lost when an individual is no longer an employee.**

d) If injured, an Independent Contractor can sue the Fraternity or Sorority on the same basis as any other member of public.

e) If the Independent Contractor proves to be an employee, the exposure exists for additional premium costs being charged to the Fraternity or Sorority for Workers’ Compensation.

f) While costly, Employee Benefits do provide a powerful incentive to remain with an employer. Independent Contractors are usually considered to be less loyal than employees.

g) Clearly the use of Independent Contractors must be approached with care and caution.
4) Independent Contractor Exposures: For Fraternities and Sororities today, perhaps the most frequent Independent Contractor exposure is the use of “outside” bartenders and/or security personnel commonly required for Fraternity or Sorority sponsored events involving alcohol. Other examples include cooks, housekeepers, party planners, entertainment, catering or food services, and transportation providers. Based on past experience, we urge you to be especially cautious of Independent Contractors who provide “handyman” maintenance or repair services to your chapters and Housing Corporations.

5) Contractor Claim Examples: The frequent and informal use of so called Independent Contractors presents especially difficult exposures for Fraternities and Sororities. Several Fraternities and Sororities have been without insurance coverage or have sustained significant losses when Independent Contractors were injured or caused injuries to others.

In the largest suit known to us ($10,000,000), two Independent Contractor students were hired as “cheap summer help” to repaint a chapter house. They were killed when their aluminum ladder came in contact with the electrical power lines servicing the chapter house. In another serious claim, overcrowding at a function led to the loss of three fingers by a security guard when a heavy chapter house door was slammed closed on his hand.

6) Workers’ Compensation Exposures: State Workers’ Compensation statutes impose a great and ever increasing burden on Fraternity and Sorority employers for injuries to Independent Contractors. In almost every case, the Fraternity or Sorority employer will be held responsible for Workers’ Compensation benefits unless the Independent Contractor is properly insured.

The failure to maintain Workers’ Compensation coverage at every House Corporation, chapter or location exposes the Fraternity or Sorority to potentially serious uninsured losses.

7) Using Written Contracts Is Essential: Effective Risk Management procedures for your Independent Contractor exposures begin with written agreements. Some groups have even developed standard agreements for use with the most common exposures such as Bartenders, Security Guards, or the Rental of Facilities for functions or events. We will be pleased to assist by reviewing Risk Management considerations. Your legal counsel should draft or review all Independent Contractor Agreements.

Your Independent Contractor agreements should include Hold Harmless and Indemnity Clauses in your favor. They should make the Independent Contractor responsible for any losses that may arise out of their acts or omissions. Hold Harmless and Indemnity Clauses are of greatest value only when supported by insurance or significant assets. Don’t forget to require, ask us to review, and retain the evidence of insurance materials provided by your Independent Contractors to support their agreements. Properly developed, written agreements have been proven very effective in accomplishing risk reduction and transfer for Fraternities and Sororities.

8) Should You Be An Additional Insured? Being an Additional Insured under the Independent Contractors insurance establishes a limited but valuable measure of protection. Being an Additional Insured can be of particular value if your Hold Harmless or Indemnity Clauses are challenged or invalidated by the courts. In order to secure defense and coverage as an Additional Insured, it may be necessary to allow the Independent Contractor’s insurer to choose defense counsel and control your defense.

Additional Insureds have other important benefits. They have direct rights under the Independent Contractor’s insurance to submit suits or claims directly to the insurer for handling. If you are an Additional Insured, the contractor’s insurer may not be able to subrogate against you if a claim payment arises out of your acts or omissions.
9) Whose Insurance Is Primary?  The Additional Insured Risk Management technique can give rise to other difficulties.  When two insurance policies potentially apply to the same claim, the question of which policy is primary or first to pay usually arises. Failure to anticipate and address this topic can result in unexpected losses. Your insurer may have to respond to a claim against you for risks that you thought had been transferred to others.

To avoid unexpected losses and potential problems in this area we recommend that your Hold Harmless or Indemnity Clauses, Additional Insured arrangements, and the related insurance coverage address the following points.

a) If a claim is presented, the Independent Contractor’s insurance will be Primary. (Pay First). Your own insurance will be excess and non-contributory. (Pay claims only after the Independent Contractor’s Insurance).

b) If a claim is presented, the Independent Contractor’s insurer will defend you and provide coverage on your behalf.

c) If your legal advisors feel that legal conflicts exist, then the Independent Contractor’s insurer will arrange to provide or pay for separate counsel to protect your interests.

10) Final Thoughts:  Independent Contractors are a frequent source of exposure and potentially significant losses for Fraternities and Sororities. When carefully approached and planned, however, they can also be an effective method of risk reduction and transfer. The Independent Contractor topic increases the importance of employment practices as a source of potential losses for Fraternities and Sororities. Fraternities and Sororities should devote increased Risk Management attention to this area to review the various issues and exposures, analyze and address the associated risks, and monitor the ongoing effectiveness of their programs.

Risk Management Recommendations  
For Independent Contractors

To minimize your Independent Contractor exposures and reduce the potential for uninsured losses, we recommend that Fraternities and Sororities implement the following risk management actions:

1) As employers may be held responsible for Workers’ Compensation benefits if an injured Independent Contractor is not properly insured. Workers’ Compensation should be maintained by the National Organization and every Chapter, House Corporation, or other potential employer.

2) Independent Contractors should only be used subject to the terms of a written contract that has been reviewed by both your legal counsel and insurance advisors.

3) Hold Harmless and Indemnification Clauses that make the Independent Contractor pay for any losses that may arise out of their acts or omissions should be included in your contracts.

4) To further insulate yourself, require that the Independent Contractors provide you with Additional Insured status under their insurance.

5) Require that the Independent Contractor and their insurer specifically agree that their insurance will be primary while your insurance will be only excess and non-contributory.

6) Before any work is performed, require written evidence of insurance to support the indemnification agreement and verify that your insurance requirements are being met.

7) Require that the Independent Contractor’s insurance may not be cancelled or non-renewed without providing you with at least (30) thirty days prior written notice via certified mail.

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James R. Favor & Company

Fraternity / Sorority
Risk Management & Insurance Program

Minimum Insurance Requirements
for Independent Contractors

Before Independent Contractor agreements are finalized and any work is performed, Written Evidence of Insurance, as illustrated by the attached Specimen Certificate of Insurance, should be obtained from all Independent Contractors.

Independent Contractors are a frequent source of problems and potentially significant losses for Fraternities and Sororities. When their use is carefully planned, they have also been proven to be a very effective method of risk reduction and transfer for fraternities and sororities.

ADDITIONAL RISK MANAGEMENT TIPS

1) Independent Contractors should only be used subject to a written contract that has been reviewed by both your legal counsel and insurance advisors.

2) Hold Harmless and Indemnification Clauses that make the Independent Contractor responsible for any claims or losses that may arise out of their acts or omissions should be included in your contracts.

3) To further protect yourself, require that the Independent Contractor provide you with Additional Insured status under their insurance.

4) As an Additional Insured, require that the Independent Contractor and their insurer agree that for your benefit, their insurance will be primary and your insurance will be excess and non-contributory.

5) Require that the Independent Contractor’s insurance may not be cancelled or non-renewed without providing you with at least (30) thirty days prior written notice via certified mail.

6) Independent Contractors providing or serving alcohol should be properly licensed and provide proof of both Host Liquor and Liquor Legal Liability at limits of not less than $1,000,000 per occurrence.

7) Independent Contractors providing legal age identification checks, security or crowd control services for events should provide proof of Personal Injury Liability coverage for Assault and Battery, False Arrest, and Invasion of Privacy with limits of not less than $1,000,000 per occurrence.

8) Higher limits and other coverages, such as Property, Builders Risk or Performance Bonds, may be needed based on the work to be performed.

9) For more information regarding Independent Contractors exposures, request our brochures: 1) “Workers’ Compensation”, 2) “Independent Contractors”, both of these provide a Review of Exposures & Risk Management Recommendations.

Questions & Additional Help
Our staff is always available to answer your questions or assist your legal counsel in reviewing Independent Contractor agreements, or reviewing the insurance certificates provided by Independent Contractors. Please contact us at James R. Favor & Company, 14466 East Evans Avenue, Aurora, Colorado 80014-1409. WATS (800) 344-7335 • TEL. (303) 750-1122 • FAX (303) 745-8669.

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# Certificate of Insurance

**Certificate Details**

**Issue Date:** [MM/DD/YYYY]

**Producers**

- ABC AGENCY, INC.
  - Street Address
  - City, State, Zip Code
  - Telephone Number
  - Fax Number

**Insured**

- Any Independent Contractor
  - Street Address
  - City, State, Zip Code
  - Telephone Number
  - Fax Number

**Companys Affording Coverage**

<table>
<thead>
<tr>
<th>Company Letter</th>
<th>Company Name</th>
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<tbody>
<tr>
<td>A</td>
<td>XYZ INSURANCE COMPANY, INC.</td>
</tr>
<tr>
<td>B</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td></td>
</tr>
<tr>
<td>E</td>
<td></td>
</tr>
</tbody>
</table>

**Coverages**

This certificate is issued as a matter of information only and conveys no rights upon the certificate holder. This certificate does not amend, extend or alter the coverage afforded by the policies below.

## General Liability

<table>
<thead>
<tr>
<th>Type of Insurance</th>
<th>Policy Number</th>
<th>Policy Effective Date (MM/DD/YYYY)</th>
<th>Policy Expiration Date (MM/DD/YYYY)</th>
<th>Liability Limits in Thousands</th>
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<tr>
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<td>DATE</td>
<td>Bodily Injury: $</td>
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<tr>
<td>X Premises/Operations</td>
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<td></td>
<td></td>
<td>Property Damage: $</td>
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<tr>
<td>X Underlying Explosion &amp; Collapse Hazard</td>
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<td></td>
<td></td>
<td>BI &amp; PD Combined: $1,000</td>
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<td></td>
<td>Personal Injury: $2,000</td>
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<td>X Contractual</td>
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<td>Host Liquor/Liquor Legal Liability</td>
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## Automobile Liability

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<th>Policy Number</th>
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<th>Policy Expiration Date (MM/DD/YYYY)</th>
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<tbody>
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<td>POLICY NUMBER</td>
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<td>DATE</td>
<td>BILLY $</td>
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<tr>
<td>X All Owned Autos (Priv. Pass.)</td>
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<td></td>
<td>BILLY $</td>
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<tr>
<td>X All Owned Autos (Other Than Priv. Pass.)</td>
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<td></td>
<td></td>
<td>BILLY $</td>
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<tr>
<td>X Hired Autos</td>
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<td></td>
<td></td>
<td>BILLY $</td>
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<td>X Non-Owned Autos</td>
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<td>BILLY $</td>
</tr>
<tr>
<td>X Garage Liability</td>
<td></td>
<td></td>
<td></td>
<td>BILLY $</td>
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## Excess Liability

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<th>Policy Expiration Date (MM/DD/YYYY)</th>
<th>Liability Limits in Thousands</th>
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<tbody>
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<td>POLICY NUMBER</td>
<td>DATE</td>
<td>DATE</td>
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<td>X Other Than Umbrella Form</td>
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<td>Bi &amp; PD Combined: $</td>
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## Workers’ Compensation

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<th>Liability Limits in Thousands</th>
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<td>DATE</td>
<td>Statutory: $100 (Each Accident)</td>
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<td>$100 (Disease-Policy Limit)</td>
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<td>$100 (Disease-Each Employee)</td>
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## Medical Payments

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<th>Type of Insurance</th>
<th>Policy Number</th>
<th>Policy Effective Date (MM/DD/YYYY)</th>
<th>Policy Expiration Date (MM/DD/YYYY)</th>
<th>Liability Limits in Thousands</th>
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</thead>
<tbody>
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<td>POLICY NUMBER</td>
<td>DATE</td>
<td>DATE</td>
<td>$10,000 Per Person</td>
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<tr>
<td>A Fire Damage Liability</td>
<td>POLICY NUMBER</td>
<td>DATE</td>
<td>DATE</td>
<td>$50,000 Any One Fire</td>
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</table>

**Description of Operations/Locations/Vehicles/Special Items**

The certificate holder’s insureds are each named as additional insureds. This insurance is primary and non-contributory as respects any other insurance available to the additional insureds.

**Certificate Holder**

- Any Fraternity/Sorority
  - Street Address
  - City, State, Zip Code

**Cancellation**

Should any of the above described policies be cancelled before the expiration date thereof, the issuing company will mail 30 days written notice to the certificate holder named to the left.

Authorized Representative

ACORD 25 (8/84)
INDEPENDENT CONTRACTORS OR EMPLOYEES?

THE 20 FACTOR TEST

The Internal Revenue Service (coordinating closely with the respective state agencies charged with payroll tax compliance enforcement in each state) applies a 1987 Revenue Ruling (87-4) known as the “20 Factor Test” to determine if workers are employees or Independent Contractors. A “yes” answer to any of the 20 questions would indicate that the person is an employee and not an Independent Contractor. The detailed discussion of each of these factors clearly demonstrates the rigorous standards that must be met in order to lawfully classify a worker as an Independent Contractor.

The message that runs throughout the 20 Factor Test is that the right to control is critically important in determining whether an individual is an employee or an Independent Contractor. If control by the Fraternity or Sorority can be demonstrated in any of these 20 areas, then the governing authority will possibly find an Employer / Employee relationship exists. While the 20 Factor Test is a measure of Independent Contractor status, many states have the definition of Employee or Independent Contractor written into the Worker’s Compensation statutes or other separate laws dealing with employment.

1) Instructions – Is the person required to comply with instructions about when, where and how the work is to be done? If a person is required to comply with instructions as to when and how to perform the work, that person is likely an employee.

2) Training – Is the person provided training? Is the individual receiving training by an experienced employee working with him or her? Training points to employee status, since it indicates that the employer wants the services to be performed in a particular manner and is exerting control.

3) Integration – Are the services for the operations of the company? The more integrated the individual’s task is, the more likely the company has control – making the individual an employee.

4) Service Rendered Personally – Are the services provided personally by the individual? If the service must be rendered by a particular individual, then the employer likely has control, meaning the individual is likely an employee.

5) Hiring, Supervising and Paying Assistants Does the company hire, supervise or pay assistants to help the person? If the company controls these activities, employee status is indicated.

6) Continuing Relationship – Is there a continuing relationship between the person and the company? An ongoing relationship with an individual in a company tends to indicate the existence of an employer/employee relationship.

7) Set Hours of Work – Does the company set work schedules? If the company can set specific hours as to when the individual must be on the job, the person will likely be considered an employee.

8) Full Time Required – Does the person devote his or her full work time to the company? If the company requires an individual to devote full time to the business, the individual is likely an employee.

9) Location Of Work – Is the work performed at the company’s place of business or at specific places designated by the company? Control is the key word. Control over the place of work, on company premises or a site determined by the company, indicates an employee relationship.

10) Order Or Sequence Of Work – Does the company direct the sequence of the work performed? If the employer can set the sequence in which services are to be performed, then control is being exercised, and the individual providing services is an employee.

Source: Resources, Fall 1998 (National Alliance for Insurance Education & Research)
James R. Favor & Company

Fraternity & Sorority
Risk Management & Insurance Program

11) Oral Or Written Reports – Are reports regularly given to the company? If oral or written reports are required by the company, then control and an employer/employee relationship is indicated.

12) Payment By Hour, Week or Month – Is the person paid hourly, weekly or monthly (as opposed to “by the job”)? An Independent Contractor is normally paid by the job or on a commission basis, rather than on a schedule or by a guaranteed amount.

13) Payment Of Business or Travel Expense – Does the company reimburse the person for business or travel expense? The fact that the employer will pay for an individual’s work-related expenses is indicative of control and employee status.

14) Tools And Materials – Does the company supply materials or tools to the person? Providing tools and materials to an individual suggests that a company is exercising control, which means that the individual is an employee.

15) Significant Investment – Does the person have equipment or facilities to perform services? If a person has investment in facilities or equipment, that person is likely an Independent Contractor.

16) Profit Or Loss Potential – Is there an exposure to loss, or the potential of profit for the individual? A person who is in a position to realize a profit or suffer a loss as a result of the service provided is likely an Independent Contractor.

17) Working For More Than One Firm – Does the person work exclusively for the company? If the person works for more than one company at the same time, he can be an Independent Contractor.

18) Making Service Available To The General Public – Does the individual make his services available to the public? Advertising to the general public the availability to perform a particular service indicates an Independent Contractor.

19) Right To Discharge – Can the worker be dismissed for reasons other than non-performance of contract specifications? The right to discharge an individual is clearly an act of control and is indicative of an employer/employee relationship.

20) Right To Terminate – Can the person terminate his relationship with the company without liability for failure to complete the job? Employees can usually terminate the relationship with the employer at any time without incurring any liability.

ITEMS FOR REVIEW
With
Legal Counsel / Insurance Representative

Source: Resources, Fall 1998 (National Alliance for Insurance Education & Research)
James R. Favor & Company

Theta Tau
Risk Management & Insurance Program

Workers’ Compensation
A Review of Exposures & Risk Management Recommendations

Since 1979 James R. Favor & Company has been developing and providing effective risk management and insurance programs for Sororities. This brochure was developed to assist Sororities, their officers, House Corporations, chapters and volunteers in reviewing their exposures, establishing sound risk management procedures and, as necessary, accomplishing insurance program revisions which will help minimize their exposures to uninsured Workers’ Compensation losses.

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Questions and Additional Help

Our staff is always available to answer your questions, discuss your individual circumstances or needs, and assist you in establishing or making adjustments in your insurance program. Please contact us at James R. Favor & Company, 14466 East Evans Avenue, Aurora, Colorado 80014-1409. WATS (800) 344-7335 • TEL. (303) 750-1122 • FAX (303) 745-8669.
1) Workers’ Compensation Insurance: This coverage insures employers against the liabilities imposed upon them by the Workers’ Compensation Laws of each state. The coverage complies with each state’s law and for work related injuries, provides the statutory benefits payable to injured employees. Generally, employees receive medical benefits and compensation for lost wages. The coverage also insures employers against their potential liabilities from common law suits that might be brought by employees allegedly injured in the course of their employment.

Practically speaking, coverage is compulsory in every state. By securing Workers’ Compensation insurance coverage, the employer is generally shielded from suits by employees for damages. Failure to maintain coverage results in the employer’s loss of the common law defenses (contributory negligence, assumption of risk and negligence of fellow employees). Failure to maintain coverage can also lead to significant additional uninsured losses via multiple damage awards, fines and penalties.

Common sorority employers include: The National Sorority entities, Local Housing Organizations and Collegiate chapters. Sororities also face serious exposures via “Independent Contractors”. Unless “Independent Contractors” are properly insured for Workers’ Compensation, a sorority employer will likely be held responsible for any benefits due to their injured workers. Even alumni groups and volunteer activities can create unique exposures and potentially significant losses.

2) Monopolistic States: With one unique variation, these states generally impose the same types of Workers’ Compensation obligations upon employers. The unique variation is that private insurance is not permitted. Current monopolistic states include Nevada, North Dakota, Ohio, Washington, West Virginia and Wyoming. The only source from which employers can secure the required Workers’ Compensation insurance in these states is via the Monopolistic State Fund.

3) Workers’ Compensation Costs: Costs are highly regulated. Costs for each employer or location are based on the benefits of each state’s law and their employee exposures. The business classification and premium rates are developed by rating bureaus and approved by state insurance regulatory authorities. The rates are generally applied per $100 of total remuneration. Remuneration includes payroll and all other amounts payable to employees during the policy period including: any commissions or bonuses, pay for overtime, holidays, vacations, or sickness, and (if provided by the sorority employer) the fair value of room and board.

The premium basis includes all compensation for services of the following persons: 1) All your officers and employees who engage in work covered by your State Workers’ Compensation Law, 2) All other persons engaged in work or who provide services that could make the insurance company liable for benefits under your State Workers’ Compensation Law.

Premiums are based on your estimated exposures and subject to adjustment by audit. Premiums are not charged for “Independent Contractors” if you provide proof (normally a certificate of insurance) that the employers of those persons have secured Workers’ Compensation as required by your state law. If you do not have evidence of Workers’ Compensation coverage from “Independent Contractors” and accurate payroll records for these persons, the full contract price may and will likely be used as the premium basis. We urge you to require in advance and retain records of proof of insurance from any “Independent Contractors”.

4) Types of Coverage Programs: In prior years, based on adverse loss experience, major sorority underwriters (except ours) broadly cancelled this important coverage. Today, as a result of the past cancellations, two very different types of insurance programs have been established by sororities: 1) A Voluntary Coverage Program, 2) A Mandatory Uniform Coverage Program.
5) Voluntary Coverage Programs: Under a Voluntary Coverage Program, each potential sorority employer must individually determine their exposures and secure coverage as needed. An incorrect initial analysis of exposures and future changes in state statutes or operations can result in exposure changes and uninsured losses. Usually the sorority offers the option of securing coverage under a voluntary master national policy. Underwriters restrict the coverage provided by these voluntary coverage programs unless a broad participation or spread of risk exists.

Under Voluntary Coverage Programs today, most sorority underwriters intend that their coverage will apply only to specific employers (The National Sorority, Local Housing Organizations and Collegiate Chapters) that have clearly requested coverage and for which the insurance company has received a premium charge. The Voluntary Coverage Program approach holds a proven potential for various types of innocent errors or omissions that have resulted in serious uninsured losses for sororities.

6) Mandatory Coverage Programs: Under Mandatory Uniform Coverage Programs, all exposures or potential sorority employers secure coverage under a single master policy. If exposures exist and some coverage must be maintained outside of the sorority’s master national policy (i.e., monopolistic states), the responsibility for these details should be specifically arranged with the sorority’s insurance representatives.

Mandatory Uniform Coverage Programs offer broader coverage and better value. If no apparent employee exposures exist, underwriters will often provide coverage on an “if any” basis without cost, or in consideration of a sorority’s unique “independent contractors” exposure, at nominal premium charge. Just eliminating multiple local policies can save the sorority thousands of dollars annually in policy issue fees and minimum premium charges.

7) Individual State Exceptions: Because Workers’ Compensation coverage is directly related to the various individual state laws, individual states may at times present difficult exposures which require special attention. This typically results from overall adverse state claims experience usually caused by a combination of factors such as broad statutory benefits, inadequate rate levels, and quite often a difficult insurance regulatory or legal environment. When this occurs, underwriters often withdraw from writing coverage in that state and those who remain active become very restrictive. When these circumstances arise, coverage may only be available in these states through state funds or assigned risk programs.

Check with our office for the most current information. In the past even when individual states have presented difficulties, usually subject to a review of exposures and acceptance, our underwriters for Mandatory Uniform Workers’ Compensation Programs have been willing to accommodate these more difficult exposures. Once revisions are accomplished to address the underwriter’s difficulties in an individual state, history shows that market conditions tend to return to normal fairly quickly. While the individual state difficulties may from time to time require that coverage for a particular state must be placed outside the sorority’s master program, controls should be established to assure that coverage is maintained. Coverage should be returned to the sorority’s master program as soon as possible.

8) Canadian Exposures: Employee exposures do exist in Canada. Like the individual state laws in the U.S., in Canada each province and territory administers its own act or ordinance. Coverage is compulsory in all provinces and territories. As with the monopolistic states in the United States coverage must be secured via specific funds in the respective province or territory. Failure to maintain coverage can result in various fines and penalties. U.S. Workers’ Compensation policies do not provide any coverage in Canada.
9) Risk Management Recommendations: Establish a Mandatory Uniform National Workers’ Compensation Insurance Program. Under such a program all potential sorority employers enjoy the benefit of the broadest and most cost effective protection.

Even Mandatory Uniform National Programs do not afford coverage in the Monopolistic States (Nevada, North Dakota, Ohio, Washington, West Virginia and Wyoming). Coverage in these states must be secured from the Monopolistic State Fund. To minimize the potential for uninsured losses, if you have potential exposures in any of these states, we recommend the following additional actions:

1) Review exposures and coverage for every potential employer or location in these states.

2) Require every employer or location in these states to annually provide either evidence of a Workers’ Compensation exemption, or a valid certificate of Workers’ Compensation insurance to your National Headquarters.

3) Require the certificates to illustrate and verify that the State Fund insurer will not cancel or non-renew coverage without providing at least thirty days written notice to your National Headquarters as the certificate holder.


Employers in New York State who employ one or more people on each of 30 days in any calendar year must provide this coverage at the end of four consecutive weeks following the 30th day of employment. Part-time employees are eligible on the 25th day of regular employment. If you have exposures that subject you to the New York Disability Benefits Law, we recommend the following additional actions:

1) Review exposures and coverage for every potential employer or location in New York.

2) Require every New York location to annually provide a DBA 20 Certificate of Insurance to your National Headquarters.

3) Require the New York DBA 20 Certificates to illustrate and verify that the insurer will not cancel or non-renew coverage without providing at least thirty days written notice to your National Headquarters as the certificate holder.

TOPICS TO DISCUSS WITH JAMES R. FAVOR & COMPANY

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APPENDIX K
Risk Management Policies of Theta Tau

Whereas, The purpose of Theta Tau is to develop and maintain a high standard of professional interest among its members and to unite them in a strong bond of fraternal fellowship, and Whereas realizing that abuse of controlled substances and/or alcohol can erode these two cornerstones on which the Fraternity was founded, and Whereas it is the obligation of the Fraternity to ensure the social and physical well-being of its members and to limit the liability of our members, chapters and the national Fraternity. Therefore, Be it resolved that the Theta Tau 2002 National Convention adopts the following Risk Management policies pursuant to the Articles and Bylaws of the National Constitution.

Policy on Controlled Substances

1. The possession or use of controlled substances at any Fraternity activity shall be in compliance with all federal, state, local and university regulations.

2. Chapter officers are obliged to take disciplinary measures, in accordance with Chapter VI of the Bylaws, when warranted, on any individual who negatively affects the chapter or Fraternity through misuse of controlled substances.

3. Each chapter is encouraged to regularly participate in an alcohol and drug awareness program at the chapter’s University to educate its members on the personal consequences of drug abuse as well as how such use affects each individual chapter and the national Fraternity.

Policy on Abusive Behavior

The Fraternity will not tolerate or condone any form of abusive behavior on the part of its members or pledges (whether physical, mental, verbal, sexual or emotional) in violation of any federal, state, local and university regulation. This is to include any actions directed toward members, nonmembers, friends, or guests.

Policy on Hazing

No chapter, colony, student or alumnus shall conduct nor condone hazing activities. Hazing activities are defined as: “Any action taken or situation created, intentionally, whether located on or off fraternity premises, to produce mental or physical discomfort, embarrassment, harassment, or ridicule. Such activities may include but are not limited to the following: Forced use of alcohol; paddling in any form; creation of excessive fatigue; physical and psychological shocks; wearing of public apparel which is conspicuous and not normally in good taste; engaging in public stunts and buffoonery; morally degrading or humiliating games and activities; and any other activities which are not consistent with academic achievement, fraternal law, ritual or policy or the regulations and policies of the educational institution, or applicable laws.

Policy on High-Risk Events

Theta Tau cannot condone and discourages participation in high-risk events. Examples of high-risk events include, but are not limited to: Bungee jumping, parachuting, sporting events such as boxing, etc. Individuals choosing to take part in these sorts of events do so at their own risk and with the full understanding of the inherent risks associated with them.
**Policy on Transportation**

Theta Tau chapters are encouraged to establish a transportation policy for chapter events which are not held at or within walking distance from the chapter facility. It is strongly recommended that the policy include the use of a form of mass transportation, such as charter buses, to transport members for such events, and particularly for events where alcohol may be consumed. When transportation is not arranged, alternative procedures, such as designated (in advance of the event) drivers, should be used.

**Policy on Property Management**

The chapter facility, along with its furnishings and landscape, are encouraged to provide for each member an environment for study, clean and safe living conditions, and recreation. Property should be maintained in a manner, which makes it inviting and attractive to parents, rushees, and alumni. A sound program focused on proper maintenance of the property, along with due regard for university, health, or fire department regulations, where applicable, shall be followed in each chapter. Rents and fees collected should be sufficient to meet not only annual expenses, but also sufficient to allow for savings toward significant renovations and/or new facilities.

**Policy on Gun Safety**

Individuals choosing to exercise their right to bear arms should do so only after undergoing appropriate courses on gun safety and use sponsored and conducted by a reputable organization. The Fraternity generally believes that the chapter house is no place for a firearm and it should instead be stored safely elsewhere by the owner (such as a parent’s home or a firing range). To prevent it from misuse or accidental use by its owner, another member, a guest, or an intruder, firearms kept on chapter premises shall be stored unloaded, in a locked storage area accessible only to the owner(s) of said firearms. Ammunition shall be stored in a separate locked area from the firearm. No loaded firearm shall be on Chapter premises. Notwithstanding the manner in which such a firearm is maintained or stored by its owner, firearms shall not be displayed, demonstrated, or cleaned on chapter premises or as part of any chapter activity.

**Policy on Alcoholic Beverages**

1. The possession or use of alcoholic beverages at any Fraternity activity shall be in compliance with all federal, state, local and university regulations.

2. Alcoholic beverages are strictly prohibited at any of the following Theta Tau programs: chapter meetings, initiation ceremonies, and all Convention business meetings.

3. Only rush events and pledge education activities held at properly licensed venues shall alcohol be allowed.

4. The Fraternity encourages its chapters to implement a membership recruitment program, which eliminates the use of alcoholic beverages.

5. Chapter funds shall not be used for the purchase of alcoholic beverages nor shall any member, on behalf of the chapter, coordinate the collection of funds for the purchase of alcoholic beverages.

6. The only activities, in which alcohol is served, that Theta Tau may participate in whether with an individual, group or business, are those activities served by a properly licensed provider.
7. Open parties are strictly prohibited. Parties and other social activities are only open to members of Theta Tau and their guests by invitation only. An open party is one in which there is unrestricted and/or public access to the party or to alcoholic beverages.

8. It is recommended that each chapter post a doorwatch for each chapter function in order to control access to said function and to guard the safety and welfare of every member and guest of the Fraternity. The doorwatch(es) should be selected in advance of the event and the names and times of responsibility should be posted in a central area for review in advance to the event. The doorwatch(es) duties should include, but are not limited to:

   a. Observation of all members and guests entering and leaving the party. It is the responsibility of the doorwatch to deny entry to any uninvited individuals.
   b. Ensuring any impaired member or guest safe transportation home; It is recommended that the doorwatch(es) also serve as designated drivers
   c. Remaining sober when performing these duties.

9. It is recommended that Chapters set a designated start and end time for all chapter events involving alcohol.

10. An alternative beverage shall be supplied to members and their guests by the chapter at all events. An alternative beverage is a non-alcoholic substance excluding water. If food is provided, it must include non-salty options such as fruits, vegetables, cookies, etc.

11. In order to reduce the liability that can be incurred when a Fraternity event involves the use of alcohol, the Fraternity requires that all chapter events where alcohol will be present conform to one of the following alternatives:

   a. BYOB (Bring Your Own Bottle) event – such events make each individual attending the party responsible for their own consumption.
   b. Use of a licensed site – the site is responsible for the control of alcohol.
   c. Use of a catering service – a catering service with a proper liquor license and liability insurance policy will reduce the Fraternity’s liability while still allowing for the choice of location.

12. Each chapter is encouraged to regularly participate in an alcohol and drug awareness program at the chapter’s University to educate its members on the responsibilities and consequences of alcohol consumption.

13. Chapter officers are obliged to take disciplinary measures, in accordance with Chapter VI of the Bylaws, when warranted, on any individual who negatively affects the chapter or Fraternity through misuse of alcoholic beverages.
APPENDIX L
GUIDELINES FOR OBTAINING A LOAN
FROM THE NATIONAL FRATERNITY

Members of the Executive Council, as trustees for the Fraternity, have made available the assets of the Founders' Memorial Fund (contributed by members) and a part of the General Funds of the Fraternity for loans to organized chapter alumni corporations for the purpose of acquiring, remodeling, and equipping chapter headquarters.

Since the available funds are limited, the maximum amount which may be borrowed from the national Fraternity is $15,000. The loan is secured by a lien on the property for the amount of the loan. There must be an established repayment schedule with installments covering principal and interest beginning soon after the loan is made. The national Fraternity shares in the cost of using the money by charging a low rate of interest (currently prime rate or a minimum of 8% per year) set by the Executive Council.

It is anticipated that a loan from the national Fraternity will be used to complete, not to initiate, a financial program. The bulk of the equity needed must come from a headquarters fund built with obligatory payments by the chapter members. See page 18 of the Chapter Officers Manual.

Application fee of $200 is required to cover the cost of filing the lien, etc. It is refunded if loan is not granted. In requesting a loan, the following information should be provided for consideration by the Executive Council: Use for which the money is needed; If house purchase is anticipated; the street address; approximate lot size and approximate distance from the engineering portion of the campus; The extent of available parking; Statement whether the site in question is zoned for fraternity housing.

House description, including age, material of construction, size, condition, facilities included, capacity, and value as determined by an independent professional appraisal. Purchase price. Other sources of funds. Operating Budget including among the expense items: taxes (real estate and personal property), insurance (building, contents, and liability), utilities, maintenance, furnishings, remodeling, payments on mortgage, and payments on loan. Income including monthly payments by residents (based on reasonable estimated occupancy which is less than capacity and usually less than initial occupancy, and generally only for 9 months per year). The Executive Council wants to be assured that the headquarters can be operated without placing an undue financial burden on the student members. Therefore, a comparison with costs of living elsewhere would be helpful.

Precise name of the alumni corporation; names and addresses of its officers. Amount of loan requested, date when funds are needed, period of loan, and repayment schedule.

Since the funds available are currently invested elsewhere, requests should be made as far in advance of need as possible. Each request will be considered on its own merits. Loans for smaller amounts and/or for shorter repayment periods will be given priority. Although a loan for 10 years will be considered, a period of five years or less is preferred.