



SO YOU THINK YOU KNOW ABOUT F&H?

With the upcoming convention this summer in New Orleans, there have been quite a few questions about the SAE Financial & Housing Corporation. F&H serves as an entity under the Sigma Alpha Epsilon umbrella — just like the Fraternity or the Sigma Alpha Epsilon Foundation — that generally provides support and assistance with chapter housing. Read on for more frequently-asked questions about the F&H Corporation.

Q: Where can I get a copy of the F&H financial report?

A: The current financial report for the SAE Financial & Housing Corporation can be obtained by requesting them from Gregory Somers, the Associate Executive Director for F&H, at gsomers@sae.net.

Q: Who visits to the properties to make the houses are properly supervised? How are those visits funded?

A: Each property has a house director — in many cases, a house mother — who watches the individual property. In addition, Gregory Somers, the Associate Executive Director for F&H, visits each property on an as-needed basis. Somers' expenses are paid through each chapter's housing corpora-



tion. Expenses for house directors are paid through an entity called Greek Housing Management, LLC, which is funded through a management agreement between each housing corporation and each chapter, which functions as a tenant.

Q: What properties does F&H own?

A: There are currently five housing corporations owned by F&H. Each corporation is set up as a limited-liability corporation, or LLC, which protects F&H from liability and helps with IRS and tax concerns.

- **MIGA Housing, LLC**, owns the title to 342 North Harrison, East Lansing, Michigan, for the house at Michigan Gamma at Michigan State.
- **NHBE Housing, LLC**, owns the title to 28 Madbury Road, Durham, New Hampshire, for the house at New Hampshire Beta at New Hampshire.
- **WABE Housing, LLC**, owns the title to 865 NE B Street, Pullman, Washington, for the house at Washington Beta at Washington State.
- **OHGA Housing, LLC**, owns the title to 57 East State Street, Athens, Ohio, for the house at Ohio Gamma at Ohio.
- **ILBE Housing, LLC**, owns the title to 211 East Daniel, Champaign, Illinois, for the house at Illinois Beta at Illinois.
- **MIDE Housing, LLC**, owns the title to 3315 West Michigan Ave., Kalamazoo, Michigan, for the house at Michigan Delta at Western Michigan.

The Financial & Housing Corporation is the parent organization of all LLCs listed above.

Q: How much was paid for each property?

A: F&H does not purchase any properties. All are donated outright or donated in lieu of foreclosure. F&H then pays any remaining third-party mortgage or existing debts.

Michigan Gamma was gifted to F&H, subject to the existing mortgage on the property. The appraised value of the house is currently \$1.05 million. F&H paid an estimated \$180,000.

Washington Beta was closed, leaving F&H with a first-mortgage position. With no income, the house corporation was unable to make payments and, rather than foreclosing on the property, the house corporation gifted it to F&H. Appraised value, prior to planned improvements, is \$1.1 million. F&H paid an estimated \$325,000.



Illinois Beta was closed with a first mortgage in default, leaving F&H with a second mortgage on the property. Rather than losing its equity, the house corporation gifted the property to F&H, which paid the first mortgage. In 2005, appraised value was \$1 million. F&H paid an estimated \$800,000.

Ohio Gamma was closed and the first mortgage was in default with foreclosure sale pending. Alumni approached F&H about a gifting the house to the entity. F&H paid the \$325,000 mortgage along with some past-due utilities and tax payments. While there is no current appraisal, F&H has a valid offer to purchase the house for \$900,000.

New Hampshire Beta had been closed, and the house condemned by the town of Durham, with a first mortgage in default and a foreclosure sale scheduled. To save the house, the house corporation gifted the property to F&H. The appraised value is \$1.25 million. F&H paid an estimated \$425,000.

Michigan Delta gifted its existing property, located at 919 Short Road with a taxable value of more than \$300,000, to MIDE Housing, LLC. MIDE Housing, LLC, then purchased the old Delta Gamma Fraternity house at 3315 West Michigan Avenue for \$290,000. MIDE Housing, LLC, will sell the Short Road property to help pay the acquisition cost for the other house.

Q: How does F&H ensure it gets its money back?

A: The board of directors built an ownership program that included model leases, house directors, an online billing system, financial oversight and a house-manager training system. With such measures in place, F&H can ensure that each house is filled to capacity and that each house corporation remains



solvent. Additionally, F&H has consulted with other Greek organizations on how they have successfully and profitably operated large housing portfolios.

Q: What is the capacity of each house?

A: Michigan Gamma holds 32 members. Washington Beta, 52. Illinois Beta, 50. Ohio Gamma, 45. And New Hampshire Beta, 32. These capacity numbers are for full occupancy and include a house director.

Q: Are the houses at capacity?

A: For the 2009-2010 school year, Michigan Gamma, Washington Beta and New Hampshire Beta expect to have full occupancy. Illinois Beta is currently rented to the Acacia Fraternity, as the colony at Illinois is not large enough to fill the house. Ohio Gamma is currently being renovated and will be ready for new tenants after improvements are completed. A Fraternity colony is planned for the campus that will eventually move into the house.

Q: What properties is F&H leasing?

A: As mentioned above, Illinois Beta and Ohio Gamma are rented to third parties, but all others are used by Sigma Alpha Epsilon chapters.

Q: Will the respective Province Archons for each F&H-assisted chapter be consulted on the running, upkeep and discipline of these houses and members?

A: For all F&H chapters, Province Archons will be as involved as they would at any other campus. While alumni involvement is always welcome, these properties do not need special treatment.

F&H is primarily concerned with the physical structure of the house, as well as with revenue generated. The Fraternity is responsible for general operations, including discipline. As section 43(A)6 of *The Fraternity Laws* states, a Province Archon shall “advise and assist the Chapters Collegiate within the Province in

all matters pertaining to housing. He shall communicate with each house corporation within the Province at least once a year for purposes of inspection.”

Q: Do Province Archons have the ability to choose chapter advisers for these properties?

A: The selection of the chapter adviser is the responsibility of the chapter, alumni, Province and Fraternity Service Center. F&H has no involvement in choosing chapter advisers or other alumni advisers. Section 43(A)7 of *The Fraternity Laws* states that a Province Archon should “ensure that each Chapter in the Province has at least one effective Chapter Adviser. In the case where the adviser is either effective or does not exist, the Province Archon shall assist the chapter in the identification of a new and capable adviser.

The house director, however, is hired by Greek Management Housing, LLC, a subsidiary of F&H. The chapter will participate in the selection of a house director.

Q: How are the house corporations for these properties selected?

A: A house corporation for each chapter is a distinct entity that is created by alumni. F&H has nothing to do with individual house corporations at each location. However, upon donation of a property to F&H from a house corporation, the house corporation is encouraged to transform itself into an active alumni association, along with an alumni advisory board.

Q: What requirements must Regional Directors and extension personnel fulfill with these F&H-assisted chapters?

A: Any representative of the Fraternity Service Center is required to treat a visit to an F&H-assisted chapter like any other visit. No special treatment need exist, as all Regional Directors work directly for the Fraternity Service Center, not for F&H. Since the F&H Corporation exists to purchase and rehabilitate houses that will be used for active chapters, however, it would make sense to target those F&H chapters for extension efforts. While such an effort would help Sigma Alpha Epsilon in general, the Fraternity maintains full control of the Regional Directors and the extension team.

Q: Are Regional Directors responsible to visit F&H-assisted chapters a certain number of times?

A: Regional Directors must visit chapters, regardless of status with F&H, according to *The Fraternity Laws*. Again, it makes sense to target





these F&H chapters in order to more fully support the mission of Sigma Alpha Epsilon, but the Fraternity maintains full control of the Regional Directors and the extension team.

Q: How are travel, lodging, food and other expenses for these visits broken down?

A: These expenses are the responsibility of the Fraternity Service Center. F&H has no control on this issue. The Regional Director program, managed by the Fraternity, has been supported by dues increases at previous conventions.

Q: Do these F&H-assisted properties constitute a partnership with the Fraternity Service Center?

A: The only partnership that exists between the two entities was spelled out in a blueprint agreement that was signed between the Fraternity and F&H in July 2007.

F&H, as part of the overall Sigma Alpha Epsilon structure, exists to help finance Fraternity operations by continuing to build the financial corpus of the Fraternity Endowment Fund and by improving housing throughout the Realm. Although each is a separate corporation, F&H exists to support the greater cause of Sigma Alpha Epsilon. Each has its own voting board of directors — the Eminent Supreme Herald and the Eminent Supreme Recorder are members of the F&H board — and, by dividing responsibilities, assets can be best protected from liability.

Q: If a property is owned by F&H, what is the potential liability for the Fraternity?

A: F&H is a separate legal entity from the Sigma Alpha Epsilon Fraternity, and each housing corporation owns its property's title. Only minimal liability exists due to the separation of board control. The LLC structure was specifically developed on the advice of several attorneys to isolate any liability at the chapter or property levels. Additionally, F&H's leases with tenant chapters further isolate responsibility for chapter conduct. The risk level and risk exposure are no different that currently exists with all house corporations around the Realm. The Fraternity's insurance policies cover chapters for potential claims.

In reality, were a problem to occur, house corporations, alumni associations and chapter advisers are typically removed from a suit through summary judgment. In most cases, the national Fraternity is also removed on that summary judgment. The only plaintiffs who remain are the chapters and the individuals being held responsible. Our insurance coverage provides a defense to the chapter and/or individuals as long as Sigma Alpha Epsilon's risk-management policies were not violated. However, if those policies are found to have been violated, the offending parties are excluded from insurance coverage. In instances where risk-management was not an issue, our insurance carrier provides defense in those cases to all officially recognized Sigma Alpha Epsilon organizations, including F&H, the Fraternity, the Sigma Alpha Epsilon Foundation, house corporations, alumni associations and chapter advisers.

For more information about F&H, contact Associate Executive Director Gregory Somers at gsomers@sae.net. ☀