

SAE Financial & Housing, Corp.

Agenda

- **SAE and how it is Organized**
- F&H History, Mission & Organization
- Offerings and Capabilities
- Benefits of F&H Partnership

ΣΑΕ Organization



- IRS "Educational & Charitable" organization
- Scholarships & educational programs
- Care & maintenance of Levere Memorial Temple
- Manages endowments & Chapter Education Funds
- Donations are tax deductible
- Income from donations & investments

- IRS not-for-profit organization
- Fraternity Service Center (FSC) operations & support to Chapters
- Risk management & insurance
- Licensed merchandizing
- Income from Undergraduate dues & fees

- IRS not-for-profit organization
- Receive, hold, invest, and reinvest F&H assets
- Develop and implement strategies, methods, and programs for increasing revenue for ΣΑΕ
- Organizational focus for Chapter Housing
- Chapter House loans & financing

- Holding company (or LLC) for:
 - Property Management Services
 - Chapter houses owned by F&H Corp.

SAE Fraternity Metrics

as of 6/30/2015

- 216 total chapters + 22 colonies = 238 total groups
- Approximately 14,000 undergraduates
- Average chapter size, including pledges and actives, is 52 men.
- Sigma Alpha Epsilon has initiated more than 310,000 men since badge sequences were first recorded.
- Approximately 25,000 collegiate brothers have graduated from our annual John O. Moseley Leadership School.
- There are approximately 190,000 living alumni in the Fraternity.
- The average colony size is 32 men, and the average colony GPA is 3.1

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Short History of F&H

- 1912 – Record Life Subscription managed by board of trustees, to assist with the publishing of *The Record*
- 1920 – Name Changed to National Endowment Fund
“to give the Fraternity the financial muscle to expand its program, enlarge its influence, and enhance its prestige.”
Founder Members who contributed \$1,000;
Life Members who contributed \$50;
Annual Members who paid \$3 per year.
By 1930, the fund had \$115,000 in assets, (\$1.5 million today)
- 1927 – Foundation created and LMT planned – transferred funds & *The Record*
- 1993 – Name changed to Fraternity Endowment Fund (FEF), mandate to grow fund to \$7m: Record, Leadership School and E&L Consultant Program

Short History of F&H (cont.)

- 2001 – Name changed to SAE Services, Inc. wholly independent, became more entrepreneurial and more aggressive with investment opportunities needed to grow its corpus and to generate income without support from undergraduate dues – transferred \$3.5m from FEF
- 2007 – Name changed to SAE Financial and Housing Corporation
- 2007 – Blue Print 2007-2009 Biennium for SAE
- 2015 – New F&H Bylaws approved; provision for Honorary Board Member adopted, Board member selection process modified; Foundation and F&H removed from Fraternity Law;

F&H Corporate Governance

- Vision Statement
- Mission Statement
 - New Bylaws
- Fraternity Laws (removed 6/2015)
- Strategic Plan (Fall 2015)
 - Operations Manual

Vision Statement

Provide a Home for Every Willing Chapter

"Bricks and mortar make a house; family and fond memories make a home."

Mission Statement

- Build strong chapters through great housing,
- Promote safe, competitive and affordable fraternity housing through property management resources and services,
- Support local house corporations to become financially sound and its volunteers well trained, and
- Through strategic investments, grow the Fraternity Endowment Fund and provide financial support to Sigma Alpha Epsilon Fraternity.

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F&H Offerings and Capabilities

as of June 30, 2015

- **Housing Development** – Whether purchased by or donated to F&H, there is uniform structure and support offered through Housing Development for these houses. Whether through repairs, renovation or reconstruction or even ground-up construction, the objective is to keep the chapter in a house through a [Chapter Name] Housing, LLC.
- **Housing Management** – Management services are available through Greek Housing Management, LLC to support chapters and their operations.
- **Housing Loans** - First mortgages, second mortgages, loans secured by personal guarantees, and Life Safety loans make up the range of financial support offered by F&H Corp.
- **Housing Services** - Other offerings such as products and services, discounts and packaged solutions (e.g. sprinkler systems, etc.) will be made available to all chapters.

Housing Development Investment Criteria

- Sound Partnerships
 - Alumni
 - Chapter (*most important)
 - University
- Positive Cash Flow
 - Capital Reserves
 - Return on Investment

Housing Development Investment Criteria (cont.)

- Real Estate Fundamentals
 - Location
 - Buildable Lot
 - Reasonable Cost to Build
- “Plan B” Opportunities

Assessment prior to Acquisition or Construction

Criteria F&H uses to assess a chapter house include:

- ✓ History of the Chapter (Chapter Size, Number of Alumni, Payment History, Average New Member Class)
- ✓ Health and Safety Record of the Chapter (Any history of violations)
- ✓ Alumni Involvement (House Corporation, Alumni Advisory Board, Chapter Advisor, Alumni Association)
- ✓ Health of the Greek System
- ✓ Rental Rates for Dorms and Off-Campus Housing

SAE F&H Housing Development – Property Acquisition Options

Option 1 Donate (Preferred):

Chapter house corporation contributes the "equity" in property to SAE F&H Corp.

(Chapter Name) Chapter, LLC entity formed to take ownership of property.

Option 2: Sell

Chapter house corporation sells its "equity" in property to SAE F&H Corp.

(Chapter Name) Chapter, LLC formed to take ownership of property.

The LLC assumes any existing mortgage from local fraternity housing corporation or utilizes short term line of credit/loan facility to take out existing lender.

If needed, SAE F&H Corp supplements with additional equity investment.

Option 3

(Chapter Name) Chapter, LLC formed.

SAE F&H Corp provides equity to new LLC, which in turns purchases chapter house from house corporation at a negotiated price. The house corporation transfers any net proceeds to a Foundation fund or creates other trust entity for the benefit of members.

LLC assumes existing mortgage of house corporation or utilizes short term line of credit/loan facility to pay off existing lender.

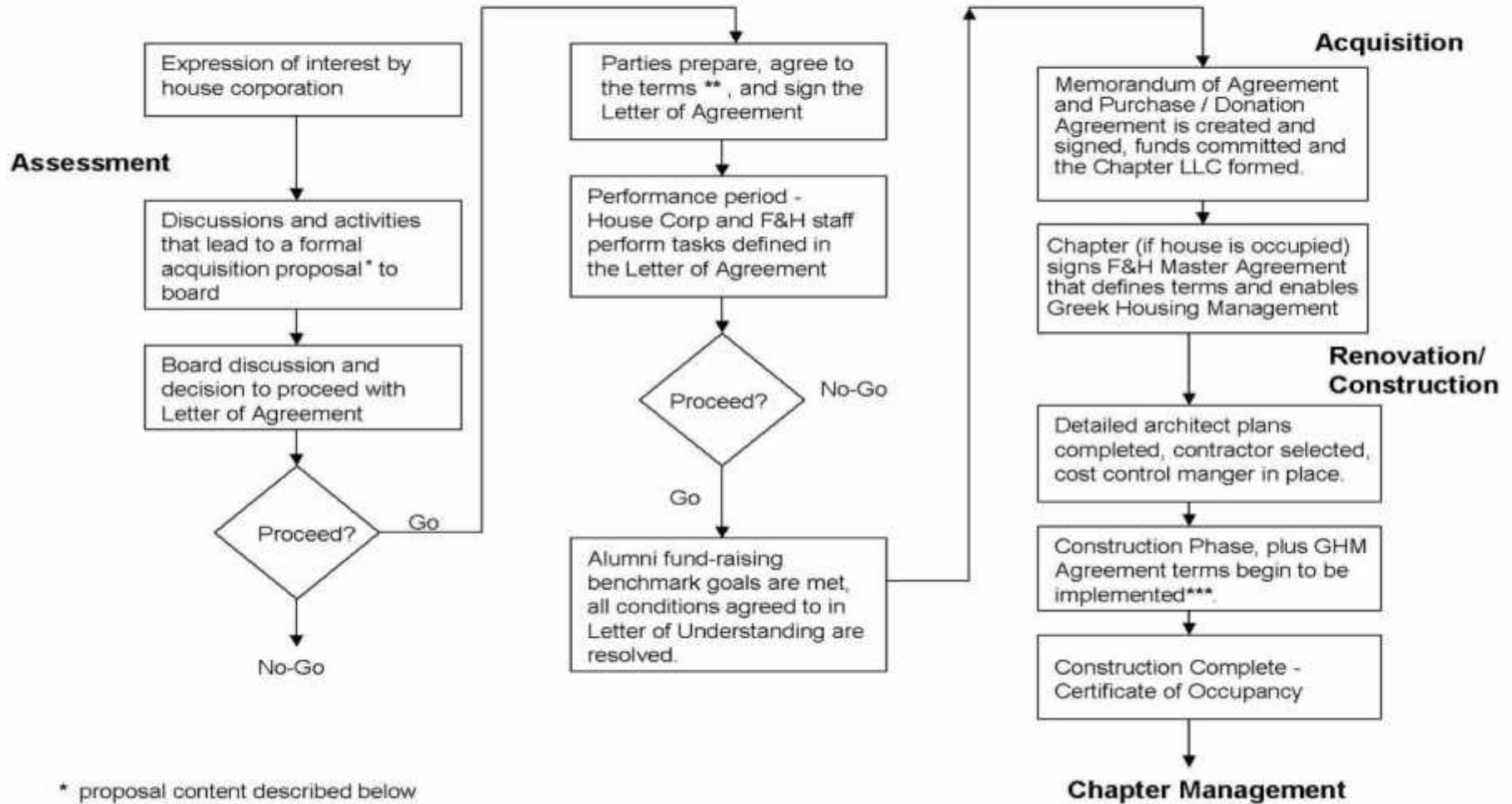
Ownership Structure:

Chapter house is owned by its own unique LLC.

(Chapter Name) Chapter, LLC is owned in whole or in part by F&H Corp.

Each (Chapter Name) Chapter, LLC's property is managed by Greek Housing Management, LLC

Housing Development Process



* proposal content described below
 ** Letter of Agreement terms described below
 *** Property management is discussed in the next section below

Greek Housing Management

- Evanston-based Staff
- Guidance for House Director & Housing Services
- Financial, Contract Management and Maintenance automation; Online leasing, Chapter budget
- Proven Forms & Collection Results
- Professional Newsletter Program
- Bulk Purchasing Power

Master Lease, Sublease, Membership Agreement

- ✓ F&H creates a wholly owned subsidiary to own title to the chapter house and rent the house to the chapter rather than individuals
- ✓ Master Lease obligates the chapter to sublease to individual members, members must sign a membership agreement, employ a live-in house director, hire Greek Housing Management, LLC to manage the house on behalf of the chapter, employ a full time cleaning service, employ a cook
- ✓ Sublease is signed electronically and requires a parent guarantee
- ✓ Membership agreement is a legally binding document that requires the member to pay a fee to secure their obligations to the fraternity

What makes the SAE F&H Housing Model Work?

- ✓ Esignature for Subleases, Parent Guarantees and Membership Agreements
- ✓ On-Site Property Management (House Director)
- ✓ Move in and Move out Checklist
- ✓ Standardization of Furniture
- ✓ Alumni Relations (Pennington Newsletter & Website)
- ✓ Staff who have more resources to work with chapter and alumni
- ✓ Treat it as a business rather than a fraternity “Fraternity starts when the bills are paid”
- ✓ Alumni who focus on mentoring rather than housing.

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Benefits of F&H Partnership

- Fraternity House Experience
 - Multiple Owned and Developed Properties
 - Board of Directors Professional Experience
 - Experienced Staff
- Turn Key Solution
 - Design & Build
 - Fundraising
 - Property Management

Benefits of F&H Partnership (cont.)

- Predictable Project Cost & Superior Results
 - Pennington & Associates (fundraising)
 - Σ A Foundation
 - Kuo Diedrich (architects & MEP)
 - JKF Design (interior designer)
 - Gleeds (project manager)
 - Various Banks (mortgage lender)
 - F&H Staff (process and project management)

Benefits of F&H Partnership (cont.)

- Financial Resources of F&H
 - Loan Guaranty
 - Initial Project Funding
 - Emergency Funding
 - Capital Reserves
- House Corporation Purchase Option
- Greek Housing Management