TRIANGLE FRATERNITY

Building Loan Fund

MANUAL FOR CHAPTER HOUSE
Financing, Acquisition, And Improvement

Prepared for Triangle Fraternity Chapters and Colonies
by Building Loan Fund

INTRODUCTION

A Chapter or Colony considering the lease, purchase or construction of a new chapter house, or the renovation or remodeling of existing facilities may benefit greatly from the experiences and actions of other Chapters which have entered into such activities in recent years. It is our purpose in presenting this material to make some of those experiences and actions available to all Chapters and Colonies, and to offer the collective experience and insight of the Trustees of Building Loan Fund, all in the hope that this material will be of assistance to any Chapter or Colony which may be about to embark into the nether reaches of government regulation of real estate development and operation, and the accompanying legal and practical aspects of planning, finance and construction.

The material which follows is organized, we hope, in a somewhat logical sequence and should present a pattern for an effective approach to identifying and resolving problems associated with the acquisition or improvement of chapter housing. In assembling this material, we make only one assumption, namely, that the Chapter or Colony has established that a need exists for taking some action with respect to new or improved chapter housing.

Some of the material contained in this manual has been extracted from the "House Corporation Seminar" material presented by Past National President and current BLF Trustee, James Marshall, at the 1989 National Convention. Because of the excellence of the material, we commend it to all Chapters and Colonies. Likewise, Chapters and Colonies will find much useful information in the Triangle Budget Manual. Both documents are available on request from the National Office.

With relatively few exceptions, we believe most of the manual has something to offer for most projects, and we recommend that all Chapters and Colonies review the manual in its entirety even if no project is either on the drawing board or being contemplated.

BASIC CHAPTER ORGANIZATION & PLANNING

Each Triangle Chapter is, and is expected to be, organized under the umbrella of a not-for-profit corporation chartered by the state in which the Chapter is to operate. Although state corporation laws vary considerably, the basic governing documents under state corporation laws are the Articles of Incorporation (which must be filed with the appropriate state office at the time of incorporation) and the Bylaws (which generally need not be filed in any state office). The governing body of a corporation under most, if not all, corporation laws is the Board of Directors.

The Articles of Incorporation typically are little more than a skeleton description of the organization, giving its name (which generally carries with it the exclusive right to use the name within the state, provided no other organization by the same name has superior rights to the name under federal trademark law), prescribing the minimum number of directors, and defining its membership. The basic document governing operation of the corporation as a corporation is the Bylaws. This document is, in many respects, tantamount to the Chapter constitution, although many Chapters have a separate document known as the Constitution. In the typical Triangle Chapter, the alumni board functions as, and is, the corporate board of directors. The corporation holds title to all Chapter property and is ultimately responsible for all corporate and Chapter obligations. A few Chapters have organized separate house holding corporations to hold title to the Chapter house, and such house holding corporations typically have their own directors, who need not be, and generally are not, the same members as those making up the alumni board. Indeed, in many such organizations, the board of directors is self-perpetuating; i.e., when a vacancy exists on the house holding corporation board, the remaining members select the replacement, without any involvement on the part of the Chapter organization. The theory behind such a separate corporation with a separate board is that it provides a way to utilize the talents and services of some of the older, more experienced alumni who might otherwise be unable or unwilling to be involved with the Chapter on a day-to-day basis, and it allows for greater continuity in the financial aspects of Chapter house operation.

While BLF recognizes the theory behind separate house holding corporations, it takes no position whatsoever on their wisdom, and is quite comfortable in dealing with the more traditional alumni board members.

In the typical Chapter organization, and as required by the National Bylaws of Triangle, there is a distinction drawn between active and alumni members. This distinction is more than a tradition. It carries with it a (sometimes hazy) distinction in the roles each group is to play. Despite the much higher visibility and even activity of the active membership, the fact remains that in any Chapter more than a few years old, the alumni membership will far transcend the active membership in numbers, organizational ability, financial expertise, and general business and management experience. It is for this reason that the alumni membership, in general, and the alumni board, in particular, is looked upon by National Council and Building Loan Fund as the chief governing body of the Chapter.

That is not to say the active members are not important. They are! Nor that active members may not be members of the corporate board of directors (and thus, the "alumni board"). That is a matter for each Chapter to decide locally. What is important, however, is that the chief governing body be distinct from, and exercise some supervisory role over the affairs of the active members, based (hopefully) on a greater sense of perspective and degree of continuity than can be expected from the active members whose involvement in the Chapter operation will be no more than four or five years.

This difference in perspective and continuity is nowhere better exemplified than in the planning function which each group must perform. It is unrealistic to expect that active members (and especially active leaders whose graduation may be but a few months away) will formulate plans having a life of more than a couple of years. On the other hand, the minimum planning period the alumni board should be working with is five years. For this planning function, we will use and intend references to the "alumni board" to include the board of a separate house holding corporation, if one exists. Similarly, references to "Chapter" mean the entire organization, of which the active and alumni groups are simply parts. Thus, we will refer to active and alumni groups or organizations in the context of their distinct roles, but not to indicate they are separate legal entities having the capacity for independent existence.

The role of the alumni board, in the context of its planning function, might best be described as follows:

1. Develop a strategic long-range plan for the Chapter and work with the active organization to develop its plan.

2. Set priorities for the Chapter and alumni board and work with the active organization to identify.

3. Foster a proactive vs. reactive relationship with the active organization.

4. Analyze the long-term physical plant needs structurally and financially.

5. Establish timetables for implementation plans.

6. Develop a commitment to carry out plans by expressing the needs and by demonstrating with actions.

7. Provide continuity and liaison to the active organization by identifying good advisors and getting them to work with the active organization.

8. Acclimate new board members and share accomplishments and future objectives.

9. Be a good role model.

While there is room in any Chapter for shifting some duties and responsibilities from the active organization to the alumni board, or vice versa, it is the view of Building Loan Fund that the following are exclusively the province of the alumni board:

1. Act as titleholder for all Chapter property.
2. Meet (and assure the active organization meets) all requirements set out by National Council and the National Constitution and Bylaws for the Chapter's operation.
3. Meet (and assure the active organization meets) all requirements set out by the local university or college.
4. Collect and disburse alumni board funds in a timely and responsible manner.
5. Determine and carry out capital improvements in accordance with established timetables and when promised.
6. Identify undergraduate/alumni volunteers who are willing to serve on greek and university committees, and who will represent reasonable viewpoints which will inform yet impact positively on the organization.
7. Select board members who themselves are good role models and who undergraduates can identify with and would like to emulate.

Obviously, by promoting two distinct functional organizations within a Chapter, and by casting one of those organizations in a supervisory role with respect to the other, we create the possibility of conflict. That is likely unavoidable, but in our view, this structure must exist and be respected. We suggest that the alumni board, in exercising its supervisory role, establish at least the following relationship with the active organization:

1. Analyze the financial needs of the active organization and identify workable financial goals.
2. Assist in establishing firm financial criteria for operating the active organization and work closely with the active organization to see that those criteria are implemented.
3. Review the Active organization's collection, bad debt and disbursement policies and procedures.
4. Establish and review with the active organization alcohol and drug policies, help them make the policy known, and review enforcement.
5. Establish and review with the active organization fire, safety and health policies for the property.
6. Recommend continuity guidelines to insure steady, even perpetuation of the Chapter and its operations.

Having digressed from a discussion of the Chapter's planning functions to a brief, somewhat philosophical exposition of the responsibilities and supervisory functions of the alumni board, let's return to the planning function. A century ago a wise man made the profound statement "Plan your work and work your plan." Fraternities are no exception to the need for observing this rule of life. A good alumni board and a strong active organization are the by-products of careful planning, timely execution and dedicated members.

Long range planning must become an important agenda item for alumni boards and the establishment of a financial framework for meeting plan expectations must become a major priority. The alumni board of the future must play the role and be the model of the experienced "Father of the Future" if the Chapter is to be successful in perpetuating itself. Briefly, the alumni board must consider at least some, if not all, of the following items when contemplating the future:

1. Develop written, strategic long-range plans for both the Chapter and the active organization.
2. Agree on priorities.
3. Determine financial needs.
4. Establish timetables.
5. Commit to implementation of the plans.
6. Develop continuity to insure the plans will continue from year to year.
7. Acclimate new members to goals and objectives.
8. Update and extend the plan periodically (not less than annually) as portions of the plan are accomplished, timetables are modified, and new plans are devised.

Long range planning takes time and is difficult to do. With carefully laid out plans, the success of a Chapter will be greatly enhanced. The most important things to remember are:

- The plan does not have to be perfect.
- It should be a working document.
- It will change.
- It must be written. Beyond these four basic points, the plan and planning process should focus on the following points:

1. Establish a working relationship between the active organization and the alumni. The plan should include and accommodate the desires of both groups.
2. Involve as many people as possible in the planning process and in execution of the plan, for that involvement will make them a part of the plan.

3. Share the plan. The active organization members must know they are an important part of the financial backbone which is essential to make the plan happen. The plan, if well thought out, will draw alumni interest, awareness and involvement. This is essential to fund raising and alumni participation. All must share the common vision.
4. Set reasonable and achievable timetables. Neither the active organization nor the alumni board should promise what they cannot deliver.
5. Develop commitment to seeing the plan accomplished. Establish benchmarks or phases where one can recognize accomplishments. Some plans may take years to accomplish. Taking pride in what has been achieved is important.
6. Develop the dedication of the people involved. Delegate and spread the workload reasonably so the participants do not "burn out." Strive to get new people involved and replace those who have accomplished their mission or want to step aside.

HOUSING OPTIONS AND BUDGETS

Chapters seeking to acquire housing have three basic options. They can purchase or lease an existing structure or they can build a new structure. The first two options, purchase or lease of an existing structure, may be accompanied by a need for either expansion or remodeling, which is also an option available to Chapters with existing houses.

The purchase, construction, remodeling or expansion of a house should always be approached with sound answers to the following questions:

1. How much will it cost?
2. What amount of income wills we need to support the mortgage or mortgages on the house we would like to buy or build?
3. How can we raise the down payment?
4. Is the active organization membership stable enough to justify a financial commitment?
5. Does the active organization recognize it may be necessary to increase house bills in order to support the project?
6. Can the active organization maintain a membership level and a house occupancy level sufficient to pay the mortgage obligation(s)?
7. Is there a commitment on the part of the alumni to see the project through to the end?
8. Does it make sense to rent or continue renting?

The primary source of continuing income to the alumni board, the income it uses to pay mortgages, taxes, insurance and major house repairs, is the "rent" which the active organization pays. The alumni board must have an ongoing budget by which it projects its cash needs and sources, and must assure that the rent it charges the active organization is sufficient to cover those needs. In developing its budget, the alumni board should observe the following rules:

1. Review what expenses have been for past years.
2. Project expenses based on solid historical data such as what has been the number of live-ins and what was total membership. Do not base the budget on what people think might happen.
3. Determine whether any levels of service should be increased or decreased.
4. Project estimates of income based on historical data. Be conservative.
5. Add up all expenses as forecasted and anticipated.
6. Determine how membership will break down - live-ins vs. town men. Factor in boarders as appropriate.
7. Calculate membership charges based on budget needs.

8. Evaluate what the competition and dormitories are doing. Aim to be among the top third billing wise
9. The alumni board should project a surplus, and should retain any projected surplus. The active organization always seems to be able to spend so-called extra money. The alumni board should always collect on a timely basis.
10. Decide what is reasonable to charge after evaluating long-term needs and consideration of profitability/surplus needs. Charge what the market will bear - you can always find a way tic spend any surplus.
11. Give serious consideration to dividing the rent charged the active organization into two components, a base rent and a variable addition. The base rent would be the minimum the alumni board needs to meet its obligations, and would be independent of house occupancy. The variable addition would kick in when and if the house occupancy exceeded the budgeted number.

As a starting point in evaluating any proposed housing project, the alumni board may wish to use an approach similar to that shown in the Feasibility Study Form at the end of this chapter. But how does the alumni board go about determining what is a reasonable rent to charge the active organization? In this area, the alumni board must assume the role of a landlord. It must determine for itself what is a fair rent. Naturally, it will work with the active organization in this area, but the final decision rests with the alumni board.

The following rent formula was developed and implemented by Delta Tau Delta to measure in a general sense whether any given active organization was paying adequate rent to its alumni board: Situations obviously differ from one part of the country to another, memberships differ, and the obligations which must be met vary. This is an average method of measurement and is a convenient way to compare groups with differing house sizes.

Several assumptions must be noted: 1) It is assumed the alumni board is paying for all capital improvements (i.e., new roof, carpeting, furniture, appliances, etc.); 2) The active organization is paying typical common maintenance expenses (i.e., common repairs, cleaning, dry cleaning, broken windows, furniture repairs, etc.).

$$\frac{\text{Net Base Rent to Alumni Board}}{\text{Number of Members Living in the House}} = \text{Rent per Person Living in House}$$

$$\frac{\text{Rent per Person Living in the House}}{\text{Eight or Nine Months}} = \text{Monthly Rent Per Person}$$

For the period from 1982 to 1986, the Delta Tau Delta study showed the following averages:

1982/83	$80.00
1983/84	90.00
1984/85	100.00
1985/86	110.00

There are at least three formulas in use for determining what is a reasonable rental to charge. The first two are commonly used as rules of thumb in connection with apartments and rooming houses, perhaps the closest type of housing to fraternity houses, but all three have been applied to a real fraternity house at the University of Minnesota.

Under the first formula, the rent is calculated to be 1% per month of the market value of the house (12% per year) plus operating expenses. Applying this formula to a hypothetical house with a market value of $370,000 and operating expenses as shown below would yield an annual rent as follows:

37 beds @ $10,000/bed = 370,000 x 1% x 12	=	$44,000
Operating Expense:		
Property taxes		$7,400
Insurance		10,000
Replacements		5,600
Miscellaneous		1,600
Total		24,600
Annual Rent		**$68,600**

The second formula assumes the same house with the same market value. The divisor is dependent upon local market conditions and may be determined by dividing the selling prices of rooming house properties that have been sold by their gross incomes. Applying this formula would yield the following results:

37 beds @ $10,000/bed = $370,000 / 5.25	=	**$70,476**

The third formula was actually developed for the same house, but the divisor would have to be determined based upon local conditions. Under this formula, the alumni board charged rent equal to one third of the gross income of the active organization, as follows:

37 Live-ins @ $3,400/year		$125,800
48 Town Men @ 1,200/year		57,600
Other Income		18,340
$201,740 / 3	=	**$67.247**

If the alumni organization develops its own divisors for the second and third formulas, it would then project the annual rent to the active organization by averaging the results of the three computations.

Note that we used a value of $10,000 per bed. Houses suitable for fraternities and sororities have been selling for $5,000 to $15,000 per bed in recent years (1987 data), depending upon such factors as age, condition, form of construction, and location.

FEASIBILITY STUDY FORM

I. PRESENT ALUMNI BOARD OPERATING BUDGET PROJECTIONS

A. Total Assets at End of Last Fiscal Year $ __________
(Includes reserves for _________________________)

B. Anticipated Income for Current Fiscal Year $ __________

Rent from Actives (______X______months) $ __________
House Notes/Pledges (______X______men) $ __________
Parlor Fees (______X______men) $ __________
Interest $ __________
Other $ __________

C. Anticipated Expenses $ __________

Mortgage Payments $ __________
Insurance $ __________
Taxes $ __________
Audit $ __________
Upkeep on Grounds $ __________
Repairs to House $ __________
Miscellaneous $ __________
Furniture and Equipment $ __________

D. Anticipated Assets at Close of Present Fiscal Year $ __________

II. ESTIMATED COST OF PROJECT $ __________

III. ANTICIPATED SOURCE OF FUNDS FOR PROJECT

Use of Corporate Assets $ __________
Gifts and Contributions $ __________
Commercial Loan $ __________
BLF Loan $ __________

IV. ANTICIPATED EXPENSES **AFTER PROJECT** **$ __________**
(Present operating budget + new loan repayments $ __________
+ cost of living increase - any known decreases)

V. ANTICIPATED INCOME AFTER PROJECT **$ __________**

Rent from Actives (______X______months) $ __________
House Notes/Pledges (_____X______men) $ __________
Parlor Fees (______X______men) $ __________
Interest $ __________
Other $ __________

ASSIGNMENT OF DUTIES

The sample list that follows suggests many of the actions that must be taken to carry out an effective building program, and provides one possible organizational approach to the problems involved. In making appointments, the President must be sure that everyone understands much time and effort will be required, and anyone not able or willing to put forth the time and effort required should decline appointment to the building committee.

The establishment of a strong, hard-working organization to handle the problems which arise in the course of a building program is the single most important action a Chapter or Colony can take once the need for new or improved housing has been identified.

President	Legal matters and contracts General coordination of all phases of finance and building Performance bond for contractors
Secretary	Architectural supervision Plan and set all schedules for construction and make all contacts with architect and contractors Approve all bills for labor or material Submit to Treasurer and Fund Chairman a monthly schedule of estimated finance requirements
Treasurer	Receive and bank all funds received Acknowledge receipt of all loan funds and donations Prepare monthly report of receipts and expenses Pay all approved bills, also interest and principal due on loans
Fund Raising Chairman	Plan fund raising program Arrange contacts with alumni for loans through correspondence and such media as Triangle Review and chapter publications Arrange with Building Loan Fund for expected loan Arrange with Treasurer for making withdrawals from bank construction loan fund

Undergraduate President in general, supervises and coordinates all participation of undergraduates in:

1. Selection and purchase of furniture and decorations, etc., for the living room, dining room, study rooms. Chapter room, game room, sleeping quarters and, if needed, house mother's quarters. Also rugs, carpets or other floor covering materials in these rooms.
2. Raising money to pay for above purchases by the solicitation of parents and friends for loans or donations to the Alumni Organization general fund.
3. Establishing a Fund Raising Committee that will perpetuate itself from year to year and continue this money raising activity.

ZONING ISSUES

Since the United States Supreme Court first approved the concept in 1926, virtually all units of local government, whether city, town or village, have enacted ordinances which seek to regulate the uses of land in accordance with the scheme which the governing body deems appropriate. As a result, persons wishing to build within a community must first determine L that the land to be developed may be used for the developer's purposes; that is, that the land is properly "zoned" for that use.

Thus, before ANY commitment is made to purchase land, whether raw or already developed, the Chapter or Colony must first determine that if the property is acquired, it can lawfully be used for fraternity housing. Bear in mind that fraternities and sororities are relatively unique and do not comfortably fit most of the more common zoning classifications. They clearly are not single-family residences, and generally will not pass muster as multi-family residences, primarily because of the definition of "family" which the ordinances contain. Fraternity and sorority houses probably most closely approximate rooming houses, which generally are not a preferred use of land under many zoning codes. Remember, also, that fraternity and sorority houses are not well regarded in many communities, and therefore will receive no special consideration when it comes to a proposal for the construction or acquisition of a building to be used as a fraternity house. We have seen, in several of our Chapter locations, zoning codes which essentially prohibited chapter houses.

It is quite common when developers wish to acquire real estate for a specific use that they either (a) obtain an option to purchase within a set period of time, in order to allow the developer to obtain proper zoning and use authorizations, or (b) enter into a contract to purchase the property subject to a contingency regarding zoning and use authorizations. Either method is acceptable, although the contingent contract may be preferable because it can allow for return of the earnest deposit if proper zoning is not obtained, whereas an option, having value in its own right, will typically require the irrevocable commitment of funds. Either method should be available to Chapters and Colonies. However, since the Chapter or Colony will have to be able to show that it has some identifiable legal interest in the property, it will have to enter into some form of binding contract with the current owner that will allow the Chapter or Colony to obtain legal ownership (or whatever interest it seeks) once the zoning issues have been resolved satisfactorily, and will allow the Chapter or Colony to walk away if the zoning issues are not resolved to the satisfaction of the organization.

Zoning codes typically make provision for what are called "variances." A variance represents official permission to use land in a way which does not comply with specific requirements of the applicable provisions of the zoning code. As a practical matter, the likelihood of obtaining a variance for the operation of a chapter house, where the zoning code does not specifically authorize the use of any property in a way similar to a fraternity house, is virtually nil. However, where the use of the land is so authorized, it may well be possible to obtain one or more variances from specific requirements, such as lot size, building lines or parking. The threshold requirement for a variance will be a showing that compliance with the specific provisions of the zoning code will impose an unreasonable hardship on the Chapter and present no risk of harm to the community.

While the various zoning officials perform administrative and legislative functions, the essence of a zoning hearing is judicial. For the Chapter or Colony to enter into such an arena without adequate counsel is false economy, at best, and in many cases, downright stupid.

The process of obtaining appropriate zoning and/or variances will vary from community to community. If property is to be purchased, the Chapter might seek to make the purchase conditional upon the current owner securing the appropriate zoning and any variances the Chapter may need. The Chapter's success in getting the current owner involved in the zoning process will depend largely on how desperate the owner is to sell the property. In general, however, the Chapter will have to initiate the process, and in all instances, the Chapter should control the process, since, after all, it is the Chapter which has the greatest stake in the success of the zoning process. Thus even if the current owner is willing to "secure" the appropriate zoning for the property, his commitment should be financial only.

Based on past experience, the architect can probably prepare a preliminary list of the most likely zoning and/or variances necessary. In most areas, there is a local government office responsible for reviewing construction plans, usually for the purpose of issuing building permits. An additional function of such offices frequently is to advise the elected or appointed zoning boards with respect to zoning and variance applications. Prior to any formal application, the architect and a representative of the Chapter can generally meet with professionals in this office to determine what rezoning and variances are necessary and also to get some idea of the possibility of receiving an affirmative response to such applications.

After a formal application for rezoning and/or variances is made, there likely will be strict requirements for notifying affected persons (usually those who own property within a certain distance from the proposed site). This may involve posting signs in the area affected, sending registered letters to the neighbors within a certain radius of the property, a legal notice in the local newspaper, or other means. Frequently the local government assumes responsibility for distributing the required notices. The Chapter or Colony would be well advised to keep its neighbors (either current or potential) informed of its plans. A certain amount of "PR" work might be appropriate, particularly if it is known that certain persons will oppose the development. Although it doesn't always work, it generally doesn't hurt to try to answer these questions, ease fears, and attempt to reach a compromise with these persons prior to the official hearing.

Remember, you will be dealing with at least three, and perhaps more, specific issues:

1. Is the land zoned for uses consistent with fraternity operation, and if not, can it be properly zoned?
2. Does the proposed development or acquisition comply with the technical requirements of the zoning code, such as lot size, building lines, parking and the like, and if not, can variances be obtained?

3. Does the community require a special use permit for use of the property as a fraternity house, and if so, what conditions are likely to be imposed on that use?

If the property must be rezoned, the Chapter should factor in sufficient time for the process to run its course. The process is neither simple nor fast. With very good luck, the task of obtaining zoning and variances can be completed in two or three months. However, the Chapter should allow as much as six months for this process.

BUILDING CODE ISSUES

Just as most communities have adopted zoning codes to regulate the uses to which land may be put, so also have most, if not all, communities adopted building codes, which regulate the construction, reconstruction and, in many cases, the improvement of buildings and structures. There are three primary building codes in use in the United States. They are generally referred to as the BOCA, Southern and UBC codes. Many cities have adopted some version of the so-called "BOCA" code, promulgated by Building Officials and Code Administrators International, Inc. It is generally the responsibility of the design professional to assure compliance with the local building code on any construction project, but that does not relieve the Chapter, as the owner, of its overall responsibility for compliance.

There are several ways in which the Chapter may be directed to comply with the local building code. The most obvious, of course, is that the building code will govern all new construction. This means not only an entirely new chapter house, but also any addition to the house and, in most cases, any plumbing, electrical or structural work on the house, as well as many of the so-called improvement projects which Chapters undertake. As a means of enforcing code requirements, many communities also require that an occupancy permit be obtained whenever the property changes hands as well as following final inspection any time a building permit is issued.

The principal area in which tension arises between Chapters and local building officials is over the extent to which changes in building code requirements may be applied to existing buildings which met the applicable code requirements at the time of construction. Unquestionably, some changes have been applied retroactively, primarily in the area of fire safety, such as in requiring the installation of smoke alarms, sprinkler systems, fire escapes and the like. There is always a trade-off involved in this area. Improving the house in the area of fire safety will undoubtedly provide a greater margin of safety to the occupants of the house and reduce to some extent the cost of insurance on the Chapter house. At the same time, of course, there may be considerable cost involved. The Chapter must determine how much safety it can afford, and how much safety it must, or should, have.

Whenever the Chapter is involved in a major reconstruction project, such as when the chapter house has been extensively damaged by fire or a storm, the Chapter should expect that the current building code will apply to all reconstruction work. That single requirement alone may, be sufficient reason to justify the slight additional cost of insuring the property on a replacement cost basis rather than the traditional actual cash value basis which many Chapters have had over the years.

What is the difference? Let's use a recent reconstruction project-as an example. It is estimated that more than one-third of the cost of reconstructing a chapter house severely damaged by fire represented current code compliance issues. The insurance company paid only for the loss of value (a difficult issue at best, given the limited marketability of fraternity houses), and offered nothing in the way of reimbursement for bringing the house construction up to current code requirements. The Chapter had to borrow nearly $150,000 to complete the reconstruction project, and that's a lot of money for any chapter. In some cases, the need for additional borrowing could put the Chapter out of business.

Bear in mind that if the Chapter has an existing mortgage, the lender has the right to claim the insurance proceeds (or at least the portion representing its interest in the property), and it is quite possible that the insurance company might determine that, even in the event of total loss, the value of the property is less than the amount of the existing debt. The Chapter might wind up with nothing.

This is one of the reasons that BLF has adopted a rule requiring all Chapters having loans from BLF to insure their houses on a replacement cost basis, and this requirement applies throughout the life of the loan. Those Chapters not having BLF loans would be well advised to upgrade their insurance coverage, if for no other reason than to reduce or eliminate the need for additional borrowing in the event of a major loss.

PRELIMINARY ESTIMATE OF CONSTRUCTION COSTS

Before the Chapter can seek the assistance of an architect, it must have in mind what it is it wishes to do and what it expects of the architect. This means it must go through its own preliminary planning process. This process can probably be best accomplished in stages. The first stage might be to identify general "wants," such as increased house capacity, improved study areas, a computer access area, more storage space, a larger party area, or any of a number of other items. The second stage might be a process of assigning priorities to the "want" list, and the third stage might then be devoted to quantifying the wants. How many brothers does the Chapter need to accommodate? In what ways do the study areas need to be improved? How much storage space is enough (the answer here, of course, is that there is never enough storage space)? If the Chapter is starting with an existing structure, it should also identify the best uses for that structure, and how it might wish to integrate the uses of a proposed building addition. Once the Chapter has a firm idea what it wants, it should select an architect to work with.

Selection of the architect is a major decision. The wrong architect can literally cost the Chapter thousands of dollars. If other chapter houses have been built or expanded recently, check with those organizations to find out who they used as an architect and what their experiences were. That may be the best reference you can get. Above all, don't select as your architect someone who has no experience in designing the kind of structure you want. Interview several architects, and ask for references and examples of buildings they have designed. The final selection may come down to the person with whom you feel most comfortable, or whose architectural style comes closest to the type of building you have in mind, but don't neglect to select a competent person.

The probable cost of preliminary sketches and the cost of final building plans and specifications will vary somewhat from one community to another. However, recent experience indicates that charges for architectural services are generally determined on the basis of total construction cost. One Chapter paid a fee for preliminary sketches (sufficient for zoning approval, application for loans, and the like) amounting to 2 1/2 percent of the estimated overall cost. After the Chapter made a decision to proceed, the total architectural fees amounted to 10 percent of the total construction cost, and included the 2 1/2 percent paid for the preliminary plans. The 10 percent fee covered preliminary plans, final plans, specifications, and a limited degree of supervision of the construction process. The construction process will be discussed in greater detail in Chapter 9.

Another Chapter was able to negotiate a fixed fee with its architect, amounting to approximately 8 percent of the estimated construction cost. In this case, however, the architect's supervision of the construction process was extremely limited, and there is reason to question whether the Chapter might have been better off accepting a higher architectural cost in order to gain better control over the construction process.

Because of Triangle's limited membership, there are many fine Triangle architects. Many of those architects are quite capable of providing outstanding service. The Chapters should remember, however, that the overriding consideration is a well-designed, properly constructed and cost effective chapter house or addition. The relationship between the Chapter and its architect must be as business-like as one would expect the Chapter to maintain with its resident active members. In other words, the architect has a job to do, and the standards for performance of that job are not diminished by the fact he is, or may be, a brother.

The material that follows illustrates the extent of some of the preliminary work of an architect on one Triangle chapter house project.

DETERMINING PROJECT COSTS

The determination of project costs must be made early, and is an essential part of planning for any building or major renovation project. Determining probable income and expense, that is, developing a budget for the project and the period which follows, if done on a sound basis, will establish the amount the Chapter can afford to spend on the project and whether or not the annual operating expenses can be met.

One approach which has been used in evaluating, on a preliminary basis, the economic aspects of a proposed new chapter house is to work backward by determining first the amount the Chapter can afford to set aside for debt service, higher taxes and insurance, and potentially higher operating expenses. Using this budgeted amount, the Chapter can then work backward to determine the total amount of debt it can afford to maintain. This total debt, together with the amount of cash the Chapter has on hand or can generate through alumni or other donations, or otherwise, largely determines the maximum size of the project the Chapter can undertake.

Chapters must use extreme caution in defining their requirements in order to avoid cost overruns on the project. If the Chapter is stretching to afford what it has proposed, a cost overrun of any magnitude could transform the project into an economic disaster for the Chapter. It is far better to overestimate the project costs than to underestimate them. BLF (and any commercial lender) would much prefer to reduce a loan commitment than to increase it beyond the Chapter's means. We will discuss this subject in greater detail, and offer some suggestions for avoiding cost overruns in Chapter 9.

On the pages that follow, we have prepared from material available to us, a sample analysis of a hypothetical construction project. Obviously, each proposal must be tailored to reflect local conditions. Each Chapter must determine for itself the economic climate in which it operates, and once that determination is made, the Chapter must be prepared to actively market the proposal to the entities which will be called upon to pay the bills, both initially and over the long term, or which otherwise have a strong influence over the success of the Chapter. This means BLF, banks, alumni, actives, the university of which the Chapter is a part, and in most cases, the local community and the neighbors.

Your attention is drawn to the fact the sample analysis makes provision for an ongoing Chapter building fund. Too few Chapters provide for the replacement or rehabilitation of their facilities and overlook the fact that time and use will inevitably lead to major capital expenditures. While BLF cannot dictate that Chapters establish such funds, we nonetheless strongly encourage the Chapters to do so. The important fact to remember about Chapter building funds is that they generate interest income. Borrowed funds, whether from a bank or from BLF, generate interest expense, and thus produce upward pressure on house bills

Chapters which pay off mortgage loans are strongly encouraged to maintain their house bills at a comparable level, even when they have no debt to pay. The excess funds can then be set aside in the Chapter building fund, for it is a certainty that if the Chapter has paid off its debt, major renovation or rehabilitation is just around the corner.

As part of your planning, bear in mind that commercial lenders and Building Loan Fund place limits on the amount they may be willing to loan for the acquisition of chapter housing or for its renovation or rehabilitation. The BLF limit is one-third of the total cost of the project, and there may be times when BLF is unable, because of prior loans and loan commitments, to generate sufficient funds to support a major project even at the one-third level. BLF does provide for 100% loans up to $25,000 for remodeling, but such loans are generally available only for shorter terms (three to five years) and at a higher rate of interest. It is not the practice of BLF to allow Chapters to tap both loan categories as a means of skirting the one-third limitation.

Because of the limited marketability of fraternity houses, commercial lenders may be unwilling to lend more than 60% of the cost. This by itself may dictate that the Chapter have some funds on hand that it can dedicate to the project. The cost of furniture and furnishings will generally not be part of the lender's commitment, cannot be covered totally by BLF, and will be in addition to other project costs for construction, professional fees, land acquisition, and the like.

The sample data that follows should have value to the Chapter contemplating a building program, since it sets up a pattern for determining projected income and expense and reduces the likelihood that some important item might be overlooked.

FINANCING OPTIONS

There are two basic sources of funds for acquiring or improving chapter housing - debt and equity - although there are many options and variations under each of the basic sources. Because equity financing is generally the most cost effective and least burdened with restrictions and seemingly meaningless requirements, we will review those options first.

Equity financing means simply the cash the Chapter has on hand or can generate, and which it does not have to repay. Obviously, the first source of equity financing is the Chapter's cash on hand, whether generated through operating surpluses or through contributions to a specific building fund. There are a number of references throughout this manual to house notes and pledges, which we believe to be an effective method of generating funds for modest projects on an ongoing basis. Likewise, fund raising drives among alumni and friends of the Chapter can provide a significant source of capital for a building project.

Not to be overlooked is the equity the Chapter has in its existing house, if it is contemplating the purchase or construction of a new or different house. The equity is the difference between the market value (less selling expenses) and whatever may be owed on notes secured by one or more mortgages on the house. For established Chapters, that equity may well be sufficient to cover Chapter's down payment for the new house, so that the Chapter can comfortably borrow any additional funds needed. In some cases, such as where a house is within an area subject to condemnation for public improvements (or for a major private development) the selling price may include a premium to cover some or all of the Chapter's moving expenses.

Debt financing naturally carries with it an obligation to repay whatever debt is incurred. Commercial debt financing is most commonly obtained from banks and savings associations, although an ever-increasing amount of debt financing for real estate development is available from insurance companies and public and private pension funds. Because of the periods of high inflation which we have experienced in recent years, most commercial lenders are reluctant to approve long term, fixed rate financing for what they would view to be a commercial project, as distinguished from a single family residence. Thus, the Chapter may well have to choose between a shorter term with a fixed rate of interest and a longer term with a variable rate. There are no hard rules in this area. It is incumbent on the alumni board to check with a number of potential lenders in order to find what it considers the best combination of term, interest rate and (in the case of a variable rate) the frequency and amount of any adjustments the lender may be able to make.

Of course, the longer the term of the loan, the greater the total amount of interest the Chapter will pay. Conversely, the shorter the term, the greater the monthly payment the Chapter will have to make. The alumni board must determine the best balance between the term of the loan and the monthly payments, and that can sometimes be quite difficult, even though the monthly payment amount can be readily calculated if the interest rate, term and principal amount are known.

We, at Building Loan Fund, are and expect to be a significant source of debt financing for chapter housing. According to the Triangle Constitution, we are generally required to play a secondary role, but that does not mean our role is not significant. Frequently, the availability of second mortgage financing of up to one third of the project cost can mean the difference between a successful project and one that never gets off the ground. In addition, the ability of BLF to guarantee that the commercial lender will be repaid can make the difference between approval and rejection of the Chapter's loan application.

Debt financing can also be obtained from individuals, whether that might be the seller of the property the Chapter proposes to acquire or alumni and friends of the Chapter. There is some discussion in the next chapter on two ways Triangle chapters have obtained debt financing from their alumni.

Another potential source of financing, which might best be described as a hybrid, is that potentially available from or through the college or university of which the Chapter is a part. Depending on the school's attitude toward fraternities and sororities and its investment policies and practices for its endowment funds, it is quite possible the school might construct the house for the Chapter, possibly even to the Chapter's specifications, and enter into a long term lease or lease/purchase agreement with the Chapter which would be beneficial to both organizations. There is even a real possibility the school would earmark a fund for the purpose of accepting tax deductible contributions from alumni and others. Thus, contributions could be used to reduce the school's out of pocket cost for the project, and thus would directly reduce the Chapter's long term obligation under its lease or lease/purchase agreement.

With the growth that is projected in Triangle Fraternity Education Foundation over the next few years, there is a distinct possibility the Foundation could have the resources available to fund grants to Chapters to defray some part of the cost of the educational facilities the Chapters provide, such as study rooms, libraries, computer facilities and the like. Obviously, it is too early to project developments in this area, and any such developments would be subject to the control and approval of the Foundation's Board of Directors, but we mention it here to show that the field of Chapter house development and finance is anything but static.

CHAPTER FUND RAISING ACTIVITIES

There are four ways chapters can raise funds from alumni and friends. The first, and best, is through a disciplined use of building fund pledges made by active members during their college days. Upon graduation, each alumnus is expected to fulfill his pledge over a period of several years. For example, using the $50 amount referred to in the previous chapter, an active member, upon initiation, would sign a pledge or note in the amount of $50 for each year remaining to his expected graduation. The first pledge or note would come due one year after graduation, and any other pledges or notes would fall due annually thereafter.

Conceptually, these payments represent a payment for the depreciation of the Chapter house (if the Chapter doesn't have a house, it will need to develop a new conceptual basis for the pledge, but it should not simply discard the concept as inapplicable).

A second way of generating funds for Chapter house construction is through a well-organized campaign designed to solicit gifts from alumni and friends to the Chapter's building fund. It is essential to the Chapter's credibility in seeking such gifts that the fund be segregated from the Chapter's general operating funds, and used only for major capital expenditures. Naturally, alumni fund-raising will likely be easier and more successful for older, well-established chapters which have a large number of alumni, including many who have attained a high degree of success in their chosen careers. However, even newer and smaller chapters can achieve success in this area, especially if the focus of the solicitation is narrow. For example, the Chapter might solicit funds for furniture and furnishings, items which might otherwise be unobtainable.

A third approach which some chapters have used is to solicit gifts on a deferred basis. Encouraging alumni to "remember" the Chapter in their wills or estate plans may have some long-term benefits to the Chapter. Again, young Chapters with young alumni may feel this approach is too long term to be a major contributor, and they are probably correct in that assessment. Moreover, because the Chapter does not qualify as a charitable organization, and contributions are therefore not deductible, the Chapter may find itself unable to compete for such contributions with such entities as Triangle Fraternity Education Foundation, and therefore may prefer to concentrate on the shorter term, where it has an identifiable need which it can promote to its alumni, and which the alumni will be able to see. Triangle Fraternity Education Foundation may be able to accept tax-deductible contributions directed at specific educational facility needs of a particular chapter.

Finally, some chapters have borrowed money from their alumni. This borrowing has taken several forms. In at least one case, the Chapter undertook to issue a series of debentures to its alumni. The debentures, because they constituted securities under state and federal securities laws, had to be registered with both state and federal regulators, a costly proposition. Thus, such a formalized approach could work only for older chapters who have many alumni likely to purchase the debentures. A more informal approach which another Chapter used is for a group of alumni to designate one of their number as their trustee, provide money to the trustee, and have the trustee loan money to the Chapter in exchange for a mortgage on the chapter house. Because in most cases a commercial lender and BLF will also have loaned money to the Chapter, this mortgage will have to be subordinated to those held by the commercial lender and BLF, but it is a fairly simple way to provide capital to a Chapter while maintaining a reasonable expectation of getting the money back.

APPROACHING COMMERCIAL LENDERS

Lending agencies, primarily banks and savings associations, have varying requirements concerning the information they must be provided before they will consider an application for loan. Equally important, lending agencies have varying policies with respect to approval of loan applications and the extent to which they will advance funds for the acquisition or construction of chapter housing. Generally speaking, fraternity housing is not high on the priority list for mortgage loans. This is largely because of the limited marketability of a fraternity house in the event of foreclosure and the limited understanding of fraternities and sororities on the part of bankers. It is incumbent on the Chapter to make its loan application package as complete and fully documented as possible, and to be as diligent about securing a loan as it is about securing new members. The fact one or more lenders may reject the application is no indication what another commercial lender may say, and is no more significant than a single rushee declining a bid. Obviously, a poorly prepared application package is likely to draw little interest from any lender, but a well-prepared package, which demonstrates the ability of the Chapter to repay the loan, is likely to be well received.

One of the advantages which virtually any Chapter can tender to any commercial lender is the ability of Building Loan Fund to guarantee payment of a first mortgage loan. This can be a significant inducement to the lender, because the financial strength of BLF offers considerable comfort to the lender. It can be assured that it will not have to foreclose on a piece of property which it might have difficulty selling for the amount due on the first mortgage loan.

The general attitude of BLF toward such guarantees is that if BLF is willing to make a second mortgage loan, it will also guarantee payment of the first mortgage loan. There may be occasions, such as where a potential lender might require BLF to pledge specific assets as additional security for a loan to a Chapter, when BLF might withdraw its support of the project, and force the Chapter to seek a different lender. The form of the guarantee is that BLF will take over payment of the loan if the Chapter defaults. BLF will not recognize any acceleration provisions of the Chapter's first mortgage loan, and the commercial lender will be expected to accept the limitations which BLF imposes on its undertaking.

The Chapter will be expected to exercise considerable diligence in seeking commercial financing. This is because the National Constitution of Triangle clearly establishes BLF for the purpose of "supplementing" funds otherwise available to the Chapters. Likewise, the mere fact the Chapter would prefer to borrow money from BLF because of its below-market interest rates will not be sufficient to excuse the Chapter from seeking and obtaining available commercial loans. In short, the role of BLF is to provide secondary financing and, to a lesser extent, advisory services to the Chapters. The relationship, while cordial and fraternal, is and must remain business-like at all times.

Obviously, the more complete and the more professional the appearance of the loan application package, the better it is likely to be received. If nothing else, the more professional the appearance of the package, the more credence the potential lender the potential lender may put in it. Is this fair? Perhaps not. But that's the way the system works. At a minimum, the Chapter should be prepared to present at least three years' operating history, preferably in the form of professionally prepared financial statements, together with financial projections showing the anticipated operation of the Chapter over the first two or three years of the proposed loan. In most cases, the Chapter will be counting on a loan from BLF to cover a portion of the cost of the project, and it's entirely appropriate to show that expectation. The lender is being asked for a commitment that assumes the existence of the BLF loan (which will be subordinate to the lender's loan, and thus will not cause the lender any concern) and likely the BLF guarantee of the first mortgage loan, and it is to be expected that the lender's commitment will be contingent upon BLF acting favorably upon the Chapter's loan application.

The important thing to keep in mind is that it will aid the Chapter's cause immeasurably if the package is self-proving, and answers as many of the potential questions as possible. Thus, the Chapter should spend some time attempting to find the weaknesses in its package, in order that they may be adequately addressed. The Chapter should also assume the potential lender knows nothing about the "business" of the fraternity (which is probably true), and spend some time educating the potential lender as to what the fraternity is all about. In short, prepare for the worst and expect the best.

CHAPTER 11

BUILDING LOAN FUND APPLICATIONS

Building Loan Fund has promulgated a loan application form which all Chapters seeking BLF financing are expected to use. Since BLF can deal only with corporate officers of the Chapter or Colony, the application is to be completed by the designated alumni officer. Similarly, once a loan is approved and disbursed, payment of the loan will be the responsibility of the alumni treasurer. The loan application form and the rules and regulations of BLF have been reproduced at the end of this chapter.

Much of the application form is designed to focus the attention of the Chapter on the two most significant factors which will determine the success or failure of the project - house« occupancy and house bills. The Chapter must make sure its ability to compete, whether with other fraternities, dormitories, or private rental units, will not be compromised, and must also understand the absolute necessity that the active members living in the house raise sufficient funds to pay their "rent" to the alumni board, for it is that rent which allows the alumni board to pay such ownership costs as mortgage payments, taxes, insurance and major repairs. Those funds must be given priority over other Chapter expenses such as food, utilities, parties and the like, for without the house, all other issues may become academic.

Because of the many types of projects which Chapters undertake, and because of the wide< variety of ownership interests which Chapters have in their houses, ranging from absolute ownership of house and land to the lease of both house and land, BLF must be, and is, flexible in its approach to the security which it will expect the Chapter to provide. Generally, however, where the Chapter owns the land on which the house sits, BLF will expect to receive first or second mortgage on the property, depending upon whether a commercial lender is involved. Thus if alumni financing is to be a factor in the project, and the alumni expect to receive a mortgage as collateral for their loan, BLF will require the alumni to subordinate their mortgage to that of BLF.

THE CONSTRUCTION PROCESS

Once all of the preliminary but inescapable work is completed - the planning, design, financing and governmental issues - it's time to give a little thought to the actual process of bidding and construction. Selecting a general contractor is at least as important as selecting an architect. Some would argue the general contractor is more important, if only because his success or lack of success will largely dictate the ultimate success of the project.

Generally speaking, there are two types of contracts used in describing the relationship between owners (the Chapter) and contractors. The first is called a fixed bid (or price) contract. Under this form, the contractor, working from construction drawings prepared by the architect, agrees to do the work described by those drawings and accompanying specifications for a fixed price. To the extent the drawings and specifications precisely describe the project, that fixed price is precisely what the Chapter will pay the contractor - no more, no less. It is extremely rare that the original drawings and specifications will precisely describe the project. It is quite common that matters will arise in the course of construction that require some change in the plans and specifications, usually minor. These changes are accomplished by means of "change orders," which are simply amendments to the original contract. Generally, if the contract is for a fixed amount, change orders will change the contract price by a fixed amount, and that amount can be either positive or negative. The advantage of a fixed bid contract is just what the name implies, that the Chapter knows going into the job what it is likely to cost. Thus, the Chapter officers are relieved to a great extent of the need to supervise the project during the course of construction to make sure the contractor's employees and subcontractors are all working at maximum efficiency, and that all labor and material costs are controlled and stable.

The other common form of construction contract is generally described as a "cost plus" contract. Under this approach, the owner and contractor arrive at an estimated cost for the project, but the basic agreement is that the owner will pay the contractor whatever costs he reasonably incurs in performing his contract, plus an amount (either a fixed sum or a fixed percentage of the cost) representing the contractor's profit. Under this approach, the owner accepts the risk that significant changes in labor or material prices may affect the cost of the project, as well as the responsibility of monitoring the construction process sufficiently to protect its interests; that is, to make sure the contractor does not, by neglect, inattention, or design, inflate the cost of the project to the owner's detriment. Obviously, there are many variations on the two basic forms, but they are beyond the scope of this material. Suffice it to say that for most Chapters, a fixed bid is vastly preferable to a cost plus contract, because chapter officers generally do not have either the time or the expertise to adequately protect the Chapter's interests under a cost plus contract. Under no circumstances, should chapter officers proceed with a significant project without a clear, written agreement with the contractor as to the maximum cost of the project. This can be achieved with a cost plus contract if the contractor is prepared to assure the Chapter, in writing, that his costs will not exceed a specific amount.

As noted above, change orders can significantly affect even a guaranteed maximum price under a cost plus contract. Remember, change orders are amendments to the original agreement, whatever that agreement may be. Those change orders are therefore beyond the scope of any maximum or fixed price guarantees, unless the change order is expressly made subject to such a guarantee. Remember also that under many contract forms, the contractor is permitted to seek additional money even in the absence of a written change order, if he is prepared to show that changes in fact occurred which had the effect of increasing his cost of performing the contract. This kind of situation generally reduces itself to a swearing match, and the Chapter will be at a distinct disadvantage, because the contractor will use his records to prove his claim, and the Chapter will have little, if any, concrete information to rebut the claim.

Thus, if changes in the plans and specifications must be made (and it would be the rare construction contract which requires no changes), the essential point is that it is in the Chapter's best interests that those changes be made in writing at the time the change occurs, and that the parties agree what the economic effect of the change will be.

The selection of a general contractor is of critical importance to the Chapter. If the project is placed for bid, whether formally or informally, it is expected the low bidder will receive the contract. We suggest the request for bids allow the Chapter to select or reject any bid. In that way, the Chapter is not bound to accept as its contractor someone whose reputation is questionable or whose financial condition is shaky. Because of the extreme difficulty and cost of replacing a contractor, for whatever reason, the Chapter must exercise great caution in its selection process.

We would be remiss if we did not suggest the Chapter consult its attorney regarding the proposed construction contract (and the contract with the architect, for that matter). Because architects and contractors tend to use contract forms with which they are familiar, and because those contract forms tend to be forms developed by their trade associations (American Institute of Architects and/or Associated General Contractors), those forms tend to carry an inherent bias in favor of the organization which promulgates them. Thus, AIA forms tend to be fairly well balanced as between the owner and contractor, but also tend to overly protect (to the owner's detriment) the interests of the architect. In the same way, AGC forms tend to lean in favor of the contractor. An astute attorney may be able to suggest minor changes in the contract forms which can level out the playing field and potentially avoid any of a number of disputes later on.

There are a number of Triangle alumni who are involved in or operate building construction firms. As we suggested in our comments regarding selection of an architect, the mere fact a bidder or proposed contractor is a brother should not be a significant factor in the selection process. On the contrary, that relationship may well complicate what is already a complex procedure because of the natural tendency to "trust" brothers.

The relationship between the Chapter and its contractor is a business relationship, period. On a significant project, it is unrealistic for the Chapter to expect a "bargain" simply because the contractor is a brother. Indeed, the Chapter should expect the brother to make a reasonable profit on the job if his performance warrants it.

On the other hand, however, the contractor-brother may well offer to help, because it is his Chapter, even if the job is outside the range of his experience and expertise. On a fixed bid type of contract, the contractor-brother may well lose money or be tempted to cut comers in order to limit or avoid a loss. On a cost-plus contract, it is virtually certain the costs will get out of control, and both sides will lose. Unfortunately, the losses will include friendships as well as money.

As engineers, we know intuitively that it is very difficult, if not impossible, to anticipate every problem. Thus, it is to be expected that many decisions and changes will have to be made in the course of construction. For the most part, these decisions will likely involve only choices between alternative or similar finishes, fixture locations and the like. There may be some (hopefully few) changes, however, which significantly increase the cost of the project. What is significant? A change is significant if, when added to the cost already committed, the cost of the change puts the Chapter in danger of exceeding the funds available for the project.

There is no way to fully protect against such changes. There are several things the Chapter can do to protect itself, however. The first is to budget at least ten percent (10%) of the expected cost of the project as a contingency fund. On smaller projects, the contingency percentage should be increased, to as much as twenty-five percent (25%). Stated another way, in your planning for the project, mentally commit the Chapter to spend no more than 90% of the funds available. In that way, if a problem arises, the Chapter has something to fall back on. If the contingency fund is not needed, the money can always be used at a later date for major repairs or replacements, or for some other discretionary purpose, or even turned back to a lender to reduce the debt incurred on the project.

A second layer of protection is to have someone available to visit the site frequently to check on progress and assure the Chapter that the contractor's employees and subcontractors are working. The designated Chapter representative should be authorized to make decisions on behalf of the Chapter and deal with the contractor and the architect on behalf of the Chapter. He should not, however, be authorized to commit the Chapter to additional costs in excess of a pre-determined amount, and this limitation MUST be communicated to the contractor and the architect.

Third, make as many of the decisions in advance as possible. This takes the form of complete plans and specifications, and a well- drafted contract with the general contractor. Obviously, everyone understands the basic objective, which is to construct or reconstruct a Chapter house or addition. If there were a way to guarantee nothing would go wrong, the contract could be written in two or three sentences. The essence of a well-drafted contract is one which anticipates as many of the things which might go wrong on the project as possible, and provides solutions for each of those things. The advantage of making the decisions in advance is that neither party is likely to be hostile or unhappy, and agreement will likely be easier to reach.

Fourth, consider requiring the contractor to provide a performance bond. In this way, if the contractor is unable to complete the job, there will be a fund available for obtaining an alternate contractor to come in and take over. Because there can be major costs incurred in taking over a job mid-stream, a performance bond offers a fair degree of protection to the Chapter in the event the contractor goes bankrupt or, for any reason, has to terminate its operation. Of course, the cost of the performance bond will be added to the bid the contractor submits, so the effect will be that the Chapter is paying for the bond (and conceivably a profit factor on the cost of the bond). In some contracts, the owner reserves the right to obtain any required bonds when it believes its sources may be less expensive than the contractor's.

Last, but certainly not least, be extremely careful in your selection of the contractor. Before any bids are considered, make sure you have adequate information on the financial and technical capabilities of each bidder. Check with the owners of jobs each bidder has performed. Find out what major subcontractors the bidders propose to use. Many times, the same major subcontractors will appear for a number of the bidders. That is to be expected, and in no way indicates collusion on the part of the bidders. It simply means there are a limited number of specialty contractors from which the general contractors solicit bids for subcontracts. In fact, one might assume the same subcontractors should appear on each general contractor's list, since the general contractors will likely select the low bidders for subcontracts, just as they expect, all other things being equal, that the owner will select the lowest bidder as its general contractor.

In short, do your homework and make sure it is done well before the final examination.

PROCUREMENT OF BUILDING MATERIALS

This chapter exists primarily for the benefit of those chapters located in states which exempt fraternities and sororities from the payment of sales and use taxes. We assume you know what a sales tax is: a tax levied by state and local governments upon the purchaser of goods, and services where the transaction is completed within a single state. In contrast, because the states have been told by the United States Supreme Court that an attempt to impose a sales tax on an interstate transaction is an impermissible infringement on interstate commerce, the states have devised what they call a use tax which is applied to the "use" of goods and services within the state of ultimate use, as distinguished from the "sale" of goods in interstate commerce. As a practical matter, the person paying the tax will not observe any difference. The tax rates will generally be identical.

Since sales and use taxes are exclusively creatures of state law, their rates, applicability and exemptions will vary from one state to another. Some states have created exemptions for fraternities and sororities (among other fraternal organizations) from the payment of sales taxes. In states where fraternities are exempt from payment of sales taxes, the Chapter should require the contractor and major subcontractors to allow the Chapter to purchase materials, parts, appliances and supplies to be incorporated into the project. In this way, the sales tax, which the contractor and subcontractors would have paid and passed along to the Chapter, can be avoided. Admittedly, there will be more day-to-day involvement of the Chapter representative, but the cost savings may be quite significant.

If the Chapter has one or more alumni who would be willing to sell construction items to the chapter at a significant discount (but would not be willing to deal with the contractor on the same terms), the Chapter may wish to take advantage of the opportunity to save what, again, may be a significant amount. In both cases, it is incumbent on the Chapter to preserve its right to purchase any or all of the materials required for the project. This is part of the contract drafting process - one of those things which must be resolved ahead of time.

FIRE INSURANCE AND LIABILITY COVERAGE

Generally speaking, on any construction project, it is the owner's responsibility to insure the work throughout the construction period (and, of course, thereafter), while it is the contractor's responsibility to maintain liability insurance to protect the owner from claims arising out of and in the course of construction. Note that the mere fact the contractor is expected or required by contract to maintain liability insurance does not suggest the Chapter should rush out to cancel its liability insurance during the course of construction. There are many other ways the Chapter can find itself subject to claims, and therefore the Chapter should at least maintain its own insurance, notwithstanding the fact that, as between the Chapter and the contractor, the primary liability will belong to the contractor. Most injured persons could care less about the contract or practice by which the contractor assumes responsibility for insuring against liability claims, and the fact of the matter is that if someone is injured as a result of a condition on the property created by the contractor, the Chapter will be one of those sued, and maybe the first one.

We cannot say too often, however, that this general practice is still a subject to be included in the construction contract. It should not be presumed that the contractor will carry insurance unless the Chapter specifically requires the contractor to furnish the insurance and to provide evidence of that insurance in the form of a certificate of insurance. The Chapter should also give consideration to establishing by contract the liability limits it will require. At a minimum, those limits should be at least one million dollars ($ 1,000,000) per occurrence. In some jurisdictions (such as California), even a million dollar limit would be considered inadequate.

It is not uncommon for contractors to submit proposed contracts which would transfer the responsibility for obtaining liability insurance to the owner, and this means insurance to protect the contractor's interests. In most cases, the contractor does this in an attempt to reduce his cost of performing the contract and, thus increase his potential profit on the contract. When confronted on this point, therefore, the contractor will accept a modification of the contract which places the responsibility for providing liability insurance (properly) on the contractor. That does not mean, of course, that the Chapter cannot agree to provide liability insurance for the project, but it should do so only if its insurance carrier is willing to write the coverage and if the contractor is willing to reduce his bid by an amount equal to or greater than the cost of the coverage. Since the insurance must be for the duration of the construction period, and- since that period might extend beyond the projected completion date, the Chapter should be extremely conservative about agreeing to provide the insurance, even if the contractor is prepared to reduce his bid. The better course, in most cases, will simply be to require the contractor to provide his own liability insurance.

In some states, there are statutes under which a property owner can be held liable to the contractor's employees (who otherwise would be limited to their workers' compensation remedies) if, for example, the owner "furnishes" a ladder for use by the contractor, and the employee falls off the ladder. Be assured the employee will assert the existence of some defect in the ladder and the fact the Chapter did not expressly permit the ladder to be used will be no defense. In order to minimize exposure in this area, make sure your liability insurance provides coverage for claims arising under state structural work laws, make sure your agreement with the contractor expressly disclaims any permission for the contractor, his employees or his subcontractors to use any tools, ladders or other property of the Chapter in performing the work, and make sure none of the members verbally authorize any contractor employee to "borrow" a ladder even for the most innocuous reason.

In order to limit its potential exposure to the public, the Chapter and its designated representatives should pay particular attention to the safety practices of the contractor and call to his attention any practices or conditions which, in the judgment of the Chapter, pose an unacceptable risk to the public. It is to be expected that children in the area will be attracted to the construction site, and adequate precautions must be taken to reduce the level of enticement which the site offers and/or to restrict access to the site.

CHAPTER FINANCING STUDY

The object of a financing study is to determine the financial feasibility of the project. The heart of this study is an analysis of income and expenses for the House Corporation after the financing is in place and the improvement is complete. The following pages are excerpts from a loan application prepared by the Purdue Chapter. These pages show the construction budget, statements of assets and liabilities, statements of revenues and expenditures, and a cash flow projection. These pages are examples of the outputs of a chapter financing study.

TRIANGLE FRATERNITY (Undergraduate Organization)

CONSTRUCTION COST

	Minimum Estimate	Maximum Estimate	Budget Estimate
General Conditions	$80,000	$92,000	$86,000
Sitework, Demolition	$25,000	$32,000	$28,500
Concrete Work	$25,000	$32,000	$28,500
Masonry	$62,000	$72,000	$67,000
Metals	$65,000	$75,000	$70,000
Carpentry	$25,000	$32,000	$28,500
Moisture & Thermal Protection	$15,000	$20,000	$17,500
Doors & Windows	$30,000	$38,000	$34,000
Finishes	$70,000	$85,000	$77,500
Specialties	$13,000	$18,000	$15,500
Conveying Systems	$2,000	$4,000	$3,000
Mechanical	$65,000	$75,000	$70,000
Electrical	$51,000	$70,000	$60,500
Total Construction Cost	**$528,000**	**$645,000**	**$586,500**
Furniture, Kitchen Equipment, etc	$75,000	$90,000	$90,000
Landscaping	$5,000	$10,000	$7,500
Fees: A&E, legal, direct expenses, contingency, construction supervision	$90,000	$95,000	$95,000
Total Project Cost	**$698,000**	**$840,000**	**$779,000**

CONSTRUCTION FINANCING

Project Cost	$779,000
Construction Loan / Mortgage	$400,000
BLF Loan	$300,000
Balance	$79,000
Alumni contributions received prior to start of construction	$72,000
Paid from current cash on hand	$7,000
Balance	$0

TRIANGLE FRATERNITY (Alumni Householding Corporation)

Statement of Assets And Liabilities

	1991	1990	1989	1988	1987
Assets					
Checking account	$11,462	$2,303	$1,526	$817	$734
Savings account	$16,047	$32,034	$12,366	$29,768	$35,159
Total current assets	$27,509	$34,337	$13,892	$30,585	$35,893
Building And Equipment (note A)					
Building and improvements	$409,848	$400,548	$400,548	$400,548	$352,149
Furniture and fixtures	$95,924	$95,924	$97,155	$89,980	$83,891
	$505,772	$496,472	$497,703	$490,528	$436,040
Less accumulated depreciation	$361,042	$336,410	$317,967	$294,591	$272,061
	$144,730	$160,062	$179,736	$195,937	$163,979
Land	$53,896	$53,896	$53,896	$53,896	$53,896
Construction in progress (note B)	$31,147	$10,183			
	$229,773	$224,141	$233,632	$249,833	$217,875
TOTAL ASSETS	**$257,282**	**$258,478**	**$247,524**	**$280,418**	**$253,768**
Liabilities					
Note payable (note C)	$29,000	$29,000	$29,000	$29,000	$29,000
Mortgage payable (note D)				$4,200	$18,469
Mortgage payable (note E)	$28,799	$32,086	$35,062	$37,756	
TOTAL LIABILITIES	$57,799	$61,086	$64,062	$70,956	$47,469
Fund Balance	$199,483	$197,392	$183,462	$209,462	$206,299
	$257,282	**$258,478**	**$247,524**	**$280,418**	**$253,768**

NOTES:

A. Depreciable assets are recorded at cost.
B. As costs for the remodeling are incurred, they are capitalized and will be transferred to the asset when the project is complete.

C. Note payable to the XYZ Foundation, unsecured, dated 1964, with an interest rate of 3% annually, no set due date.
D. Mortgage payable to Local Bank, dated 3/20/64, final payment date is 10/1/87, interest rate 6.5%.
E. Mortgage payable to the Triangle Building Loan Fund, dated 10/1/87, final payment date is 10/1/97 interest rate is 10%

TRIANGLE FRATERNITY (Alumni Householding Corporation)

Statement of Revenues And Expenditures

	1991	1990	1989	1988	1987
Revenues					
Rent	$60,000	$57,000	$35,000	$40,537	$30,536
Alumni dues and donations	$5,160	$7,010	$7,900	$5,785	$1,310
Capital campaign donations	$2,700				
Reimbursed expenses	$620	$881	$1,380	$2,800	$1,866
Sale of Equipment		$2,200		$100	
Interest	$2,032	$2,024	$1,385	$1,939	$2,329
TOTAL REVENUES	**$70,512**	**$69,115**	**$45,665**	**$51,161**	**$36,041**
Expenditures					
Insurance	$4,256	$10,591	$7,204	$6,614	$6,045
Repair and maintenance	$5,660	$7,338	$28,189	$6,164	$6,708
Interest	$3,931	$4,242	$4,639	$5,275	$2,493
Depreciation	$24,632	$24,443	$23,376	$22,730	$21,107
Triangle convention	$420	$1,216	$778	$796	$668
Accounting	$895	$795	$625	$575	$525
Alumni contact (newsletter, etc.)	$1,674	$4,500	$4,524	$4,644	$4,239
Undergraduate scholarship	$2,101	$1,097	$1,000	$1,000	
Architect fees			$1,250		
Storage rent	$788	$788			
Fund raising	$23,761				
Miscellaneous	$303	$175	$79	$190	$286
TOTAL EXPENDITURES	**$68,421**	**$55,185**	**$71,664**	**$47,988**	**$42,071**
Excess (deficit) of revenue over expenditure	**$2,091**	**$13,930**	**$-25,999**	**$3,173**	**$-6,030**

TRIANGLE FRATERNITY (Alumni Householding Corporation)

Cash Flow Projection

	1991	1992	1993	1994	1995
Cash On Hand – June 1, 19__	$41,746	$421,496	$62,906	$34,067	$6,926
	1991-92	**1992-93**	**1993-94**	**1994-95**	
Revenues – June-May					
Rent	$67,500	$64,000	$64,000	$68,000	
Alumni dues and donations	$6,898	$6,898	$6,898	$6,898	
Interest	$1,869	$1,919	$1,919	$1,919	
Reimbursed expenses	$1,000	$1,000	$1,000	$1,000	
Sale of Equipment	$0	$0	$0	$0	
Capital Campaign	$80,000	$80,000	$80,000	$80,000	
Mortgage / Loans	$300,000	$400,000	$0	$0	
TOTAL REVENUES	**$457,267**	**$553,817**	**$153,817**	**$157,817**	
Expenditures – June – May					
Insurance	$8,000	$8,800	$9,680	$10,648	
Repair and maintenance	$9,758	$7,410	$8,084	$8,758	
BLF payment	$6,348	$104,736	$104,736	$104,736	
Mortgage payment	$0	$44,492	$49,545	$49,545	
XYZ note interest	$870	$870	$870	$870	
Convention	$1,420	$200	$1,000	$1,000	
Accounting	$900	$990	$1,089	$1,198	
Alumni contact (newsletter, etc.)	$3,100	$3,968	$4,365	$4,801	
Undergraduate scholarship	$2,100	$2,100	$2,100	$2,100	
Architect fees	$27,090	$3,360	$0	$0	
Storage rent	$800	$880	$968	$1,065	
Fund raising	$9,750	$0	$0	$0	
Construction expenses	$5,700	$734,400	$0	$0	
Legal costs	$1,500	$0	$0	$0	
Miscellaneous	$181	$201	$219	$237	
TOTAL EXPENDITURES	**$77,517**	**$912,407**	**$182,656**	**$184,958**	
REVENUES – EXPENDITURES	**$379,750**	**$-358,590**	**$-28,839**	**$-27,141**	

TRIANGLE FRATERNITY (Undergraduate Organization)

Statement of Assets And Liabilities

	1991	1990	1989	1988	1987
Assets					
Checking and Petty cash	$14,891	$5,832	$4,807	$1,112	$20,385
Dreyfus Liquid Assets Fund	$6,587	$1,587	$500	$500	$1,000
Reserve accounts (note A)	$1,098	$1,452	$1,596	$893	$1,337
Clearing service checking (note B)	$1,515	$3,003	$4,033	$2,316	$2,358
Total cash	$24,091	$11,874	$10,936	$4,821	$25,080
National fees receivable (note C)	$210			$3,457	$1,362
Prepaid expenses					
Clearing service receivable	$2,213	$1,166	$2,248	$2,217	$2,310
TOTAL ASSETS	**$26,514**	**$13,040**	**$13,184**	**$10,495**	**$28,752**
Liabilities					
Clearing service deposits	$1,624	$1,825	$1,925	$3,261	$2,911
Payroll taxes payable		$635			
Accumulated Net Worth	$24,890	$10,580	$11,259	$7,234	$25,841
	$26,514	**$13,040**	**$13,184**	**$10,495**	**$28,752**

NOTES:

A. Reserved funds such as Mothers Club donations, donations to Triangle Racing, etc.
B. Clearing service is a separate account which receives deposits from and makes purchases on the behalf of members.
C. National dues and fees paid by the chapter to be collected from the individual members.

Membership

Membership As Of June 30:	1991	1990	1989	1988	1987
Initiated members	82	67	76	74	107
Pledges	16	24	22	20	21
Total	98	91	98	94	128
Residents (note 1)	63	70	73	68	

NOTE:

1. Average number of chapter house residents for the Fall and Spring semesters. House capacity is 72: "break-even" has been determined to be 61.

TRIANGLE FRATERNITY (Undergraduate Organization)

Statements of Revenues And Expenditures

	1991	1990	1989	1988	1987
Revenues					
Room and board	$217,424	$219,642	$204,126	$191,970	$179,607
Dues and pledge fees	$1,690	$95	$660	$995	$2,210
Little Sister dues	$920	$920	$405	$860	$760
Donations and Mothers Club	$1,654	$1,296	$1,115	$354	$771
Triangle racing	$4,970	$5,940	$5,625	$0	$0
Interest	$1,859	$1,715	$790	$2,186	$2,306
TOTAL REVENUES	**$228,517**	**$229,608**	**$212,721**	**$196,365**	**$185,654**
Expenditures					
Operations					
Rent	$60,000	$57,000	$35,000	$40,000	$30,000
Food	$75,426	$78,585	$78,171	$82,762	$74,882
Utilities	$29,323	$27,376	$30,294	$31,063	$27,023
Supplies	$8,151	$10,720	$10,073	$11,110	$7,806
Cook	$12,600	$12,600	$12,946	$12,542	$12,187
Repairs and improvements	$1,419	$3,723	$2,742	$2,245	$4,265
Miscellaneous	$0	$16	$6	$21	$11
Total Operations	**$186,919**	**$190,020**	**$169,232**	**$179,743**	**$156,174**
Social					
Parties and dances	$5,007	$13,173	$12,052	$12,737	$11,767
Triangle racing	$776	$1,399	$3,914	$1,664	$1,164
Little Sisters	$809	$1,352	$1,000	$1,395	$1,112
Campus events	$2,282	$976	$2,293	$2,714	$2,006
Miscellaneous	$469	$657	$1,390	$1,363	$888
Total Social	**$9,343**	**$17,557**	**$20,649**	**$19,873**	**$16,937**
Executive					
Composite photograph	$1,184	$1,165	$1,219	$1,021	$1,158
Triangle conventions	$705	$522	$378	$201	$200
Computer	$956	$752	$1,625	$351	$304
Miscellaneous	$1,336	$1,305	$1,586	$1,867	$1,079
Total Executive	**$4,181**	**$3,744**	**$4,808**	**$3,440**	**$2,741**
Secretarial					
Newsletter and yearbook	$175	$248	$135	$138	$138
Miscellaneous	$202	$210	$76	$325	$345
Total Secretarial	**$ 377**	**$ 458**	**$ 211**	**$ 463**	**$ 483**
Financial					
Accounting	$2,015	$1,602	$1,568	$880	$904
Triangle racing	$5,994	$4,573	$5,902	$0	$0
Taxes	$1,046	$1,042	$1,062	$3,005	$2,343
Mothers Club	$505	$2,621	$412	$430	$0
Alumni reimbursements	$2,026	$3,201	$2,296	$3,242	$1,818
Miscellaneous	$-229	$1,999	$32	$1,486	$1,337
Total Financial	**$11,357**	**$15,038**	**$11,272**	**$9,043**	**$6,402**
Membership					

Rush and Pledges	$2,019	$3,446	$2,475	$2,401	$1,990
Miscellaneous	$11	$24	$49	$9	$0
Total Membership	**$2,030**	**$3,470**	**$2,524**	**$2,410**	**$1,990**
TOTAL EXPENDITURES	**$214,207**	**$230,287**	**$208,696**	**$214,972**	**$184,727**
Excess (deficit) of revenue over expenditure	**$14,310**	**$- 679**	**$4,025**	**$-18,607**	**$ 927**

TEMPORARY INVESTMENT OF RESERVE FUNDS

It should not be necessary for this chapter to be included, but it has been the experience of BLF that a number of chapters which have obtained loans from BLF, or generated substantial funds from alumni, tend to park those funds in the chapter checking account during the construction process. Why? If the Chapter has funds which, while designated for a specific purpose, will not be spent for any significant period of time, or will be spent in installments over a period of time, those funds should be earning interest for the Chapter. If the funds aren't earning interest at the highest rate available consistent with the Chapter's need to protect its funds, one could say the Chapter treasurer isn't doing his job.

It is beyond the scope of this material to tell chapters how to invest funds, and there is no intent to do so here. The fact remains, however, that the chapters will from time to time have funds to invest. Placement of those funds in an interest bearing account at a savings and loan or bank is a recognized form of investment, and should be the least the chapter does. There are other safe investment vehicles, and the Chapter treasurer should consult with knowledgeable individuals and firms to be able to assure the Chapter that it is utilizing its available funds in the most businesslike, effective way available.

The two tables that follow illustrate in a very simplistic way the effect of a modest building fund program initiated five years prior to a projected $100,000.00 project. In the first table, the Chapter puts $5,000 per year (we assume a mid-year investment) into an account drawing 6% interest. At the end of five years with annual compounding, the fund is over $29,000. The chapter uses $25,000 toward the building project and borrows the balance in two loans - the first a commercial loan of $50,000 at a fixed 12% rate for 15 years, and the second a BLF loan of $25,000 at a fixed 7% for 10 years. In the second table, the Chapter has no building fund and therefore has to borrow the entire $ 100,000. For this table, the commercial loan is $67,000. The BLF loan is $33,000. All other terms remain the same.

What is the impact of that modest planning? The chapter has reduced its monthly loan payments by almost $300 and still has money in the bank as a starting point for the next project. Remember, this example is simplistic. No chapter will succeed in putting funds away out of its normal revenues in the amounts indicated, and certainly not to the extent shown. This is because the active members living in the house and paying the bills will object strongly (and rightly so) to paying inflated house bills now so that someone living in the house in the future might enjoy a somewhat lower house bill.

We said previously, however, that a Chapter which has paid off its debt obligations should continue to charge house bills at levels comparable to those in existence during the time it was paying on its mortgage. This suggestion is in no way contradictory to the preceding paragraph. While there may be some latitude in setting house bills, the bottom line is that the house bills should be competitive with other living accommodations, with appropriate adjustments made for differences in the living arrangements. The active members should neither pay a penalty in order to generate building funds, nor should they be given a bargain rate merely because the Chapter is between capital expenditures for housing improvements. No alumnus will make contributions to the chapter to help it meet its day-to-day expenses. The alumni will, however, contribute to bricks and mortar and to specific projects. Now, maybe you see where we are coming from. The alumni, because there is a specific project on the boards, are solicited for donations over a 3-5 year period. This equity capital reduces the Chapter's need to borrow, avoids increasing current house bills, and limits the growth of house bills in the future. What a neat idea. Too bad this isn't an original idea. It has been around for many years. It's the same principle our parents taught us at an early age when we wanted something. To generate such funds on an ongoing basis, many chapters have adopted a program of having new initiates execute notes to the Chapter upon initiation (or even as a prerequisite to initiation). Those notes become payable in annual installments beginning one year following graduation, and bear interest at a modest rate. It then becomes the alumni treasurer's responsibility to collect these notes and accrued interest. These are not operating funds. As noted earlier, the conceptual basis for these notes in most cases is that they represent a partial payment for depreciation of the Chapter house during the time the member resided there.

Year	Deposit	Interest	Balance	Loan Pmt	Interest	Balance
1	5,000	150	5,150			
2	5,000	459	10,609			
3	5,000	787	16,396			
4	5,000	1,134	22,530			
5	5,000	1,502	29,032	75,000		
6	-25,000	242	4,274	10,700	7,650	71,950
7	0	256	4,530	10,700	7,350	68,600
8	0	272	4,802	10,700	7,025	64,925
9	0	288	5,090	10,700	6,650	60,875
10	0	305	5,395	10,700	6,325	56,500
Total		**5,395**		**35,000**		

Year	Deposit	Interest	Balance	Loan Pmt	Interest	Balance
1	0	0	0			
2	0	0	0			
3	0	0	0			
4	0	0	0			
5	0	0	0	100,000		
6	0	0	0	14,250	10,199	95,949
7	0	0	0	14,250	9,799	91,498
8	0	0	0	14,250	9,367	87,065
9	0	0	0	14,250	8,867	81,682
10	0	0	0	14,250	8,435	75,867
Total			**0**	**46,667**		