

Sigma Pi Educational Foundation



CHAPTER EDUCATIONAL FUND PROGRAM INFORMATION

Information, Application, and Grant Disbursement Forms

**Sigma Pi Educational Foundation
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Advance Man's Quest for Excellence

I. Chapter Educational Fund Overview

In response to alumni demand for a tax-deductible option to provide financial support to their local chapters, the Sigma Pi Educational Foundation (the Foundation), in consultation with Sigma Pi Fraternity, has developed the Chapter Educational Fund (CEF) Program.

Unlike the Foundation, local chapters and housing corporations are not tax-exempt under section 501 (c) (3) of the Internal Revenue Code. As such, alumni that provide direct financial support to local chapters and housing corporations are not permitted to receive the benefit of any tax deductions. The Foundation developed the CEF Program to address the desire for alumni members to provide financial support to their local chapter while also receiving a tax deduction benefit. The CEF Program allows donors to make gifts that specifically and directly address the needs of their local chapter while ensuring the tax deductibility of those gifts for federal income tax purposes.

The alumni members of any active or dormant chapter (including the members of any colony) of Sigma Pi Fraternity are welcome to establish a CEF with the Foundation. All gifts to the CEF will be held by the Foundation as restricted gifts for the sole benefit of the chapter and its members. Potential uses for the CEF include:

- Awarding scholarships or fellowships for undergraduate and graduate members of the chapter
- Providing grants to cover portions of the travel and accommodation costs for chapter members to attend events including the Mid-Year Leadership Conference and Sigma Pi University – The Tony Siress Career and Educational Institute
- Purchasing educational resources for the learning areas of the local chapter house including items such as desks, bookcases, books, computer hardware, and educational software
- Financing the construction, renovation, and furnishing of the educational areas in the local chapter house including study rooms, libraries, computer labs, and computer networking infrastructure
- Providing subordinate construction and/or permanent financing for housing construction or renovations which are permitted under the Internal Revenue Code

Funds donated to the CEF may be invested in fixed or equity products as determined by eligibility requirements and the request of the Local Advisory Committee. Assets of individual CEF accounts will be separately accounted for, but managed and invested with other assets managed by the Foundation. Gifts designated for a specific chapter will be used exclusively for charitable and educational purposes that benefit the members of that chapter unless the Foundation's Board of Trustees determines that such uses would jeopardize the Foundation's tax-exempt status or would be inconsistent with the Foundation's charitable and educational purposes. However, the Foundation's Board of Trustees anticipates that they will be able to accommodate all requests for deployment of CEF funds as requested by the Local Advisory Committee.

II. Frequently Asked Questions

The following questions are among the most frequently asked when alumni members begin considering the creation of a CEF for their local chapter. If you have any additional questions that are not covered below, please do not hesitate to contact the Foundation at 615-921-2300.

Why use a CEF to provide financing for construction or improvements for the local chapter?

In certain circumstances, a CEF account can earn between fifty (50.00%) percent and one hundred (100.00%) percent of the interest paid on the loan. The Foundation directly administers the loan terms and does not use a traditional bank as a proxy. In addition, the principal of each loan payment is returned to the CEF account to replenish the funds.

Who provides financial support to fund a CEF?

The Foundation has received CEF donations from all of the following constituencies: alumni who graduated from the local chapter, alumni living within proximity to the local chapter, parents of new members and undergraduate members, previous scholarship award recipients from the local chapter, friends of Sigma Pi Fraternity, and local businesses providing services to the local chapter.

Who determines which requests the CEF will fund?

A prioritization committee of local alumni advisors known as the Local Advisory Committee (LAC) will submit a proposal to the Foundation Board of Trustees for approval and, ultimately, fund the CEF. However, Internal Revenue Code regulations and laws governing charitable foundations require that final approval for all disbursements remain with the Foundation's Board of Trustees. But, disbursement requests that fall within the educational purposes of the Foundation and the guidelines of the CEF Program will not be unreasonably withheld.

Does a CEF accrue earnings and grow over time?

Yes! The CEF account is maintained in a fixed income account (money market, savings, or certificate of deposit) until it grows to ten thousand (\$10,000.00) dollars, the required minimum threshold to request disbursements. Once the CEF account reaches ten thousand (\$10,000.00) dollars, the LAC is then able to request that the CEF funds be moved into a managed investment account. While LAC members are welcome to submit suggestions on investment strategies, discretion as to the specific investment allocation of these managed accounts must be maintained by the Foundation's Board of Trustees.

Are there any fees associated with the CEF Program?

Yes. The Foundation accrues certain costs associated with administering CEF accounts. Each CEF account is assessed a modest annual management fee of two (2.00%) percent of the total CEF account balance at the end of the Foundation's fiscal year (June 30th). The annual management fee will be assessed each year within forty-five (45) days of the fiscal year end. In addition, those CEF accounts which are placed in a managed investment account may be charged certain costs directly, such as brokerage fees.

What happens to a CEF if the local chapter is closed?

If a chapter is closed, the CEF will remain as a separate fund of the Foundation for a ten (10) year period. During this period, donations may continue to be made to the CEF and disbursements made continue to be requested by the LAC. In the event that the local chapter is not recolonized within this period, the entire CEF balance may be merged into a restricted, dormant fund at the Foundation for *an additional* twenty (20) year period. During this period, if the local chapter is recolonized, then the CEF account will be restored to the same dollar amount as it was prior to entering the restricted, dormant fund. In the event that the local chapter remains uncolonized after the combined thirty (30) year period, the CEF account will dissolve into the Foundation's general fund and no longer be available to support the local chapter.

What is the minimum gift size that can be made to a CEF account?

There is no minimum gift size. Some younger alumni members choose to support their local chapter by donating \$18.97 to the local CEF account. Other, more established alumni members choose to make long-term gifts through an executed gift agreement with the Foundation. If you are interested in different gift options to show support for your local chapter, please contact the Foundation at 615-921-2300.

What is the minimum CEF account size?

To create a CEF account, an initial deposit of at least one thousand (\$1,000.00) dollars must be submitted. The total CEF balance must reach ten thousand (\$10,000.00) dollars – the required minimum threshold to request disbursements – by the date set forth in the CEF Agreement. This date is typically within three (3) years from the date the CEF Agreement is executed. In the event that the CEF balance has not reached the required minimum threshold to request disbursements by the date set forth in the CEF Agreement, the Foundation's Board of Trustees reserves the right to deploy any collected funds for the benefit of the local chapter in a manner consistent with the CEF Program. A minimum balance of ten thousand (\$10,000.00) dollars must always be maintained. In other words, disbursements from the CEF will only be made from those amounts in excess of ten thousand (\$10,000.00) dollars.

Chapter Educational Fund Agreement

This Chapter Educational Fund Agreement (“Agreement”) is entered into on this ____ day of _____, 201__ (“Effective Date”) between the Sigma Pi Educational Foundation, Inc. (the “Foundation”) and the _____ Chapter of the Sigma Pi Fraternity, International at _____ and its undergraduate and alumni members (“Chapter”) (collectively, the “Parties”).

PURPOSE:

This Agreement sets forth the terms under which the Parties agree to create and fund the _____ *Chapter Educational Fund* (“CEF”).

AGREEMENT:

In consideration of the purpose set forth above and agreements set forth below, the Parties hereby agree as follows:

Establishment

1. The Parties establish the CEF to be administered and maintained by the Foundation and to receive contributions for the benefit of the Chapter.
2. The CEF shall be governed and administered according to the provisions of this Agreement and any policies that may be adopted from time to time by the Foundation not in conflict with the same.

Local Advisory Committee

3. A Local Advisory Committee consisting of at least three (3) members, with one (1) member designated as Chairman shall be selected by the Chapter. The Chairman shall generally advise and direct the Foundation as to the investments, disbursements, and direction of the CEF, with the Foundation retaining ultimate decision authority as to all discretionary matters.
4. The Local Advisory Committee shall determine how and when its members are selected and update the Foundation as to its membership within thirty (30) days of any changes.

Fees

5. A fee of two (2.00%) percent (the “Administration Fee”) will be assessed by the Foundation on any contributions made to the CEF to defer the cost of receiving and administering contributions. The Administration Fee will be automatically deducted at the time of the contribution.
6. An annual fee of two (2.00%) percent of the fund balance (less any then-outstanding loans) will be assessed by the Foundation (the “Management Fee”) to defer the cost of managing the CEF, including the costs associated with accounting, auditing, and disbursement of funds. The Management Fee shall be based upon the balance of the CEF account at the end of the Foundation’s fiscal year (currently June 30th) and shall be paid within forty-five (45) days of the fiscal year end. The Management Fee will be automatically deducted from the CEF balance at the time of assessment.

Fund Requirements

7. The Chapter shall submit to the Foundation, within ten (10) days of the Effective Date, an initial deposit of at least one thousand (\$1,000.00) dollars to establish the CEF account. A failure to submit the initial deposit within the time required will render this Agreement null and void.
8. Within three (3) years of the Effective Date, the total balance of the CEF account must be at least ten thousand (\$10,000.00) dollars. A failure to reach this balance within the time required will result in the termination of this Agreement and a closure of the CEF. Any funds in the CEF at that time will be distributed for the benefit of the Chapter at Foundation's discretion.
9. After the initial three year period, the CEF must maintain a fund balance of ten thousand (\$10,000.00) dollars at all times.
10. All funds in the CEF will be segregated and held in one or more separate accounts and separately accounted for by the Foundation.
11. If the Chapter is closed, the CEF will remain open for a maximum period of ten (10) years accruing any undistributed interest/earnings and gifts during this period. Disbursements from the CEF may also continue to be made at the request of the Local Advisory Committee and the approval of the Foundation. If the re-colonization of the Chapter does not occur within this ten (10) year period, the entire CEF balance will be merged into a restricted dormancy Foundation fund for an additional period of twenty (20) years. During this period, if the local chapter is recolonized, then the CEF account will be restored to the same dollar amount as it was prior to entering the restricted, dormant fund. In the event that the local chapter remains uncolonized after the combined thirty (30) year period, the CEF account will dissolve into the Foundation's general fund and no longer be available to support the local chapter.

Investment and Allocation of Funds

12. During the period in which the CEF is growing to the ten thousand (\$10,000.00) dollar minimum, the capital assets will be placed in a fixed income account. Once the CEF is fully funded as required under Section 8 of this Agreement, the Local Advisory Committee may select one of the four (4) standard investment options from which it may elect to allocate the CEF balance. The options are:
 - a. Invest one hundred (100.00%) percent of the CEF balance in selected fixed return accounts.
 - b. Invest thirty-five (35.00%) percent of the CEF balance in one or more equity funds and sixty-five (65.00%) percent of the CEF balance in one or more fixed return accounts.
 - c. Invest seventy (70.00%) percent of the CEF balance in one or more equity funds and thirty (30.00%) percent of the CEF balance in one or more fixed return accounts.
 - d. Invest one hundred (100.00%) percent of the CEF balance in one or more selected equity funds.

The Foundation shall make reasonable efforts to accommodate the Local Advisory Committee's selected investment option. However, the Foundation retains exclusive rights as to final selection of investment allocation.

13. The Foundation will provide (or will arrange for the investment management firm selected by the Foundation to provide) the Local Advisory Committee with:
 - e. An annual written statement of the fund balance, performance, and activity of the CEF;
 - f. Periodic written statements reflecting the fund balance, performance, and activity of the CEF as requested by the Local Advisory Committee; and
 - g. If available for the investment option selected, regularly available internet access to such information via either the website of an investment management firm or another website. Written statements may be provided in electronic format.
14. Commercially reasonable investment management and brokerage costs charged by any third party bank or brokerage/fund management companies for managing/administering funds ("Brokerage Costs") will be directly charged to the CEF on the same basis as all other capital or endowment funds managed or owned by the Foundation. The Foundation will select only a nationally recognized investment management/advisory firm to manage/administer funds in the CEF and may, within the aforementioned requirements, change the investment management/advisory firm from time to time at the Foundation's reasonable discretion. As of the date first written above, the investment management/advisory firm selected by the Foundation is Morgan Stanley Smith Barney. Brokerage Costs will be charged in addition to the Management Fee charged by the Foundation as set out in Section 6 of this Agreement.

Additional Services

15. From time to time, the Local Advisory Committee may also elect to engage the Foundation for assistance in the solicitation of funds for or the marketing of the CEF ("Additional Services"). Those Additional Services are not included under this Agreement and nothing in this Agreement shall be interpreted to obligate the Foundation to provide Additional Services. Fees and costs for any Additional Services will be negotiated by the Local Advisory Committee and the Foundation at the time of engagement and, depending on the terms of the engagement, may be paid from the CEF balance. No Additional Services shall be provided and no fees or costs for Additional Services shall be deducted without the knowledge of the Local Advisory Committee.

Disbursement of Funds

16. The Local Advisory Committee will request disbursements of the funds in the CEF. All disbursements (other than loans pursuant to Sections 18 and 19) shall be in furtherance of the charitable and educational purposes of the Foundation. The Foundation must approve all disbursements and will have final authority regarding all distributions of funds from the CEF. The Foundation will not unreasonably withhold, condition, or delay its approval of any disbursement of funds in the CEF that are requested by the Local Advisory Committee.
17. Any amount of the CEF balance in excess of ten thousand (\$10,000.00) dollars may be used for eligible distributions as requested by the Local Advisory Committee. No funds will be disbursed from

the CEF account without the request of the Local Advisory Committee and the approval of the Foundation.

Loans from the Fund

18. Subject to the foregoing, the entire balance in the CEF in excess of ten thousand (\$10,000.00) dollars will be available for financing eligible projects upon the request of the Local Advisory Committee and the approval of the Foundation. Any financing requests must qualify as prudent investments at the option of the Foundation. Accordingly, a financing request should only be made if there is adequate collateral or additional security interests available. Financing provided by the CEF will generally earn interest at a commercially reasonable rate and is subject to other customary terms and conditions to be set forth in a Term Sheet.
19. Unless otherwise provided by an executed Term Sheet and subsequent Loan Agreement as contemplated by Section 20, which will supersede this provision, one-half of interest income resulting from loans from the CEF funds shall be deposited back into the CEF. The other half of interest income resulting from loans from the CEF funds shall be deposited into the Foundation's general fund.
20. Terms for financing provided by the CEF shall be discussed with the Local Advisory Committee and stated in a Term Sheet. The Local Advisory Committee must accept the terms in the Term Sheet and pay an origination fee (if any) in order to close on the financing. A Loan Agreement reflecting the Term Sheet must be fully executed prior to the disbursement of any loan funds. No funds will be deployed as a loan from the CEF account without the request of the Local Advisory Committee and the approval of the Foundation.

Representations and Warranties

21. The Foundation represents and warrants that it is competent and able to enter into this Agreement. The Foundation further represents and warrants that:
 - h. The Foundation is duly qualified as a tax-exempt entity organized under section 501(c)(3) of the Internal Revenue Code and eligible to receive donations that are tax deductible under the current federal tax laws and regulations; and
 - i. The Foundation will use its best efforts to, at all times, remain eligible to receive donations that are tax deductible under the federal tax laws and regulations then in effect.
22. The Chapter represents and warrants that it is competent and able to enter into this Agreement.

Governing Law

23. This Agreement shall be governed by the laws of the State of Indiana without effect to any choice-of-law rules that may apply.
24. The Parties agree to cooperate in resolving any disputes that may arise out of this Agreement. If a resolution cannot be reached, the Parties agree that any disputes shall be resolved by a Court of competent jurisdiction located in or for Knox County, Indiana.

COLA Opt-Out

25. The Chapter expressly waives, disclaims, and opts-out of coverage by and the Parties agree that this Agreement shall not be governed by cost-of-living adjustment (“COLA”) provisions of the Uniform Prudent Management of Institutional Funds Act or any similar laws or regulations based upon Uniform Prudent Management of Institutional Funds Act that may apply.

Entire Agreement

26. This Agreement reflects the complete and final agreement of the parties and replaces and supersedes any agreement previously made or that may have previously existed between the parties.

27. This Agreement does not and is not intended to create any agency, partnership, joint venture, or other relationship between the Parties other than expressly provided for under the terms of the Agreement.

Severability

28. If a provision of this Agreement is or becomes illegal, invalid, or unenforceable in any jurisdiction, that shall not affect either the validity or enforceability in that jurisdiction of any other provision of this Agreement; or the validity or enforceability in other jurisdictions of that or any other provision of this Agreement.

Headings

29. The headings in this Agreement disposed in bold are solely for the convenience and reference of the Parties and do not constitute a substantive part of the agreement between the same.

Amendments

30. Any amendments or modifications to this Agreement must be made in writing and signed by both parties.

IN WITNESS WHEREOF, the Parties, on the day and year first written above, have caused this Agreement to be executed under seal.

Sigma Pi Educational Foundation, Inc.

By: _____ Date: _____

Name: _____

Title: Chairman of the Board of Trustees

By: _____ Date: _____

Name: _____

Title: Foundation Director

_____ ***Chapter of Sigma Pi Fraternity, International***

By: _____ Date: _____

Name: _____

Title: Local Advisory Committee Chairman

By: _____ Date: _____

Name: _____

Title: Chapter President

Chapter Educational Fund Disbursement Request

Date of Disbursement Request: _____

The undersigned request the following disbursement from the _____ Chapter Educational Fund:

Disbursement Amount Requested \$ _____

Reason for Disbursement:

Grant to _____ (legal name of entity)

To be used for:

- Computers and or software purchase or educational technology upgrades
- Study area desk, chairs, and or other approved furnishings
- Books, libraries, and academic files
- Study area renovations
- Other _____

(must comply with US Tax Code and IRS Regulations)

Description of educational impact achieved by grant funds:

Scholarship

Name of scholarship (if any): _____

Description of criteria for scholarship: _____

Scholarship award should be payable to: _____ (name of host institution)

Scholarship recipient's name: _____

Scholarship recipient's e-mail address: _____

Scholarship recipient's phone number: _____

- Attendance at Educational Programming
 - Mid-Year Leadership Conference
 - Sigma Pi University – The Tony Siress Career and Educational Institute
 - NIC Sponsored Program: _____
 - Other: _____
 (must comply with US Tax Code and IRS Regulations)

Financing Request (will require additional documentation)
 Purpose _____

Proposed Repayment Terms _____

The undersigned understands this is a request for disbursement *only* and does not constitute a commitment by or contract with the Foundation to disburse funds.

The undersigned agrees to obtain and provide to the Foundation any documentation and other information needed to verify use of any disbursed funds, as requested.

The undersigned agrees that any funds disbursed as a result of this request, but not used for the purposes set out in this request, must be returned to the Foundation.

Submitted by:
 Printed Name: _____
 Signature: _____
 Title: _____
 Mailing Address

 E-mail address: _____
 Telephone number: _____

For Foundation Use Only:

Approved by:
 Printed Name: _____
 Signature: _____
 Title: _____
 Notes: _____

Appendix A: Sample Local Advisory Committee Agreement

June 25, 2008

Sigma Pi Educational Foundation
106 North Castle Heights Avenue
Lebanon, TN 37087

Sigma Pi Educational Foundation,

The Sigma Pi Gamma Upsilon Alumni would like to form a local advisory committee benefiting the Gamma Upsilon Chapter of Murray State University. This advisory committee going forward will be referred to as the Gamma Upsilon Local Advisory Committee.

The committee consists of the following members:

James T. Jennings – Wells Fargo Financial
Paul M. Hetrick – Asurion
Dr. Joseph A. Morgan – Murray State University
E. Andrew Morris – Collegiate Regalia
Les Wright – Hertz Corporation

The committee will remain intact as presented until the duration of five years from commencement date of agreement has passed. At that time board members may be voted on for addition to the board by this committee during their annual meeting. Maximum number of committee members never to exceed ten alumni of Gamma Upsilon Chapter.

In addition, the Gamma Upsilon Local Advisory Committee requests a term of three years from the date the agreement is executed to achieve the \$10,000 principal balance. Also upon the initial principal balance of \$10,000 being met and scholarships being awarded the committee will have the option of award recommendation of any current undergraduate or graduate member of Murray State University in good standing as well as any Gamma Upsilon Alumni's son who is a Sigma Pi student at any college or university within the United States.

Sincerely,

James T. Jennings
Gamma Upsilon Local Advisory Committee

Cc: P. Hetrick
J. Morgan
E. Morris
L. Wright

Appendix B: Sample Development Strategies

There are an infinite number of ways that a Local Advisory Committee can generate the funds necessary to fully fund a CEF account. The examples below will provide three separate development strategies that a Local Advisory Committee may want to consider when building the CEF account.

Example 1	# of Donors	Monthly Donation	Monthly Total	Annual Total	CEF total at the end of Year 3
	25	\$18.97	\$474.25	\$5,691.00	\$17,073.00
Example 2	# of Donors	Monthly Donation	Monthly Total	Annual Total	CEF total at the end of Year 3
	10	\$50.00	\$500.00	\$6,000.00	\$18,000.00
Example 3	# of Donors	Annual Donation			CEF total at the end of Year 3
	5	\$1,000.00			\$15,000.00

The purpose of this sheet is to give a visual representation of how easily a group of donors can build the balance of a CEF account. The examples above are by no means the only development methods for fully funding a CEF account, but they hopefully provide an example of how a few dedicated individuals can make a real difference. There is no limit to the size of the CEF account. Please note the projections above do not include any investment gains.