

Letter of Agreement

That the following agreement sets forth the terms under which the Delta Sigma Phi Foundation (the "Foundation") will establish the _____ Chapter 21st Century Fund (the "Fund") to receive charitable contributions for the benefit of _____ Chapter.

- 1. **Endowment.** At the discretion of the donor, contributions can be permanently restricted endowed funds ("Permanently Restricted funds") or temporarily restricted funds and not endowed ("Temporarily Restricted funds"). If the donor does not permanently restrict the gift, then the contribution shall be considered temporarily restricted ("Temporarily Restricted"). All Temporarily Restricted funds are available for educational or charitable purposes in accordance with the grant process outlined in this document. This document must be executed prior to the acceptance of any contributions as Temporarily Restricted funds. Prior to the execution of this Letter of Agreement, all donations will be considered Permanently Restricted funds.

Notwithstanding the foregoing, the donor must designate, in each instance, whether his gift is to be restricted for the benefit of the _____ Chapter. Within 60 days of acknowledgement, the donor may clarify that an otherwise unrestricted gift was intended to be a restricted gift for the benefit of the _____ Chapter.

The Fund will be considered available for use after contributions reach at least \$5000. This threshold must be reached within five years of inception. If the Fund does not reach \$5000 within five years, then income accruals will cease. However, the Foundation reserves the right to liquidate the Fund if the endowment threshold is not attained in five years.

- 2. **Accounting.** There will be a separate accounting of the Fund in the Foundation's audited financial statements, but the assets of the Fund will be commingled with general funds for investment purposes. The Alumni Corporation Board ("ACB") will receive an annual accounting of the Fund balances. However, more frequent balance inquiries can be obtained by contacting the Foundation office.
- 3. **Investment Income.** The Fund will earn income, on a quarterly basis, at a rate of return equivalent to the total return (income and capital appreciation) on cash, cash equivalents and marketable securities of the Foundation. An annual administrative fee of 2% of the total restricted fund balance (assessed at a quarterly rate of ½%), with a \$100 annual minimum. This fee will be subtracted from the Fund's investment return. **The Fund can experience both gains and losses.** Income earned by the Fund will be defined as Temporarily Restricted funds. The quarterly rate of return will be computed at the end of each quarter based upon the total restricted fund balance on the last day of the quarter. The Fund will earn income based ONLY on the invested balance. Fund balances reflected as pledged receivables and loaned funds will not earn income.
- 4. **Grant or Loan Application Process.** The Alumni Corporation can apply for a grants and loans from the Fund. Grants can be made for charitable and educational purposes, including but not limited to scholarships, leadership training and educational housing needs. Mortgage loans can be made for the purpose of financing the development, construction or improvement of chapter houses and/or acquisition of land or facilities.

The Foundation board, or its Loan Review Committee within certain limits, will have final authority regarding all distributions of funds, which authority will not be exercised in an arbitrary and capricious manner. In the case of grants and scholarships, the Foundation will issue checks directly to the individuals/organizations authorized for payment.¹

- 5. **Available Funds.** After the Fund reaches a total balance of at least \$5000, the Foundation will consider lending up to the total balance in the form of a mortgage loan. The Foundation will also consider granting an amount up to the Temporarily Restricted funds balance of the Fund for charitable and educational purposes. In addition, grants for educational chapter house improvements, if approved by the Foundation's legal counsel, can be made from Temporarily Restricted funds. The procedures for such grants are outlined in the document entitled "Delta Sigma Phi Foundation – Grant Procedures for Chapter Housing Projects."
- 6. **Mortgage Loans.** The Alumni Corporation can apply for a mortgage loan up to the total balance of the chapter's 21st Century Fund. Such loans will be considered and authorized in accordance with current Foundation policy as outlined in the documents entitled "Delta Sigma Phi Foundation Loan Program – Information and Instructions." Mortgage loans must qualify as prudent investments. Accordingly, a mortgage loan can be made only if it is adequately secured, earns interest at a commercially reasonable rate and is subject to other customary terms and conditions as outlined in the above mentioned Loan Program document.
- 7. **Mortgage Interest.** If the Fund is loaned to the Alumni Corporation in the form of a mortgage, then up to 50% of the mortgage interest will be credited to the Fund as Temporarily Restricted funds and will be eligible for distribution for charitable and educational purposes.

Daniel A. Smercina
Executive Director, Delta Sigma Phi Foundation

Date

ACB President, _____ Alumni of ΔΣΦ

Date

¹ Grant requests must: 1) be accompanied by a case statement outlining intended use of the requested grant and a grant agreement requiring that the funds be returned to the Foundation for credit to the Fund if not used for the designated purpose, and 2) comply with IRS regulations regarding grant distribution.