

Rampant Lion Foundation
President's Report
January, 2010

It seems appropriate for me to report to you, members of the Board of Trustees of the Rampant Lion Foundation on issues and developments since I assumed the Presidency in April, 2009. Although I considered a month-by-month developments report, it seemed confusing to me, and I have therefore elected to organize my report along issues lines. You are invited to inquire further as to any issues reported, or omitted in this report.

Phi Epsilon (Minnesota) Fund

Issues surrounding the Phi Epsilon Fund led to the resignation of David Easlick as President of the Foundation, and my election to succeed him. I therefore have chosen to begin this report with that issue.

Questions from the leadership at Phi Epsilon regarding their fund brought to the attention of many of the Trustees, including myself, the fact that "Restricted Funds" held by the Foundation had not always been held in segregated accounts. Further such funds had in some instances been loaned to Delta Kappa Epsilon Fraternity as part of a line of credit extended to the fraternity over the years. This practice has been reported regularly to the Trustees as a routine agenda item.

Leaders of Phi Epsilon alumni professed ignorance of this handling of their fund, and demanded remedial action. Acting on behalf of the Foundation, Treasurer John McNeil and I engaged in discussions, both email and telephonic with Bros. Cox and Asplund from Phi Epsilon. We promised them that their funds would be restored to a cash position as soon as possible, and held in segregated account(s) thereafter.

A first step was accomplished when the indebtedness of DKE to the fund was determined to be \$90,000 plus accrued interest, and a demand note in that amount, with interest at 9% per annum was prepared, dated March 31, 2009, and signed by David Easlick as Executive Director of the fraternity. (Note: at the time that note was prepared, it was not known to me that the total indebtedness of the fraternity to the foundation was \$122,701.53, so the note should have been for \$32,701.53 more). Precedent for this note was established as early as March 31, 1983, by a note from DKE to "Deke Foundation" in the sum of \$5,000 with interest at 9% which was executed by George Payne, President.

When the sale of the house at 1004 Olivia, Ann Arbor was closed (details elsewhere in this report), \$90,000 of the funds received were used to purchase the note from the Phi Epsilon fund. Cash obtained by the Phi Epsilon Fund in this transaction has been deposited in a segregated, restricted fund account at the trust department, First Midwest Bank, Lake Forest, Illinois. I believe the Phi Epsilon alumni are satisfied with this result.

John McNeil and I have since been in discussions with Bros. Cox and Asplund on behalf

of Phi Epsilon alumni with regard to the creation of an additional restricted fund to be used to provide scholarships for Phi Epsilon actives.

The \$90,000 note is now a general asset of the foundation. Bro. Bob Bilbrough, Psi Delta '78, has suggested that the entire loan (\$122,701.53) was never authorized by the DKE board, hence is not a legal, binding obligation of the fraternity, and he will oppose repaying any portion of it. Hence you should be aware that the asset value of both the note, and the balance of the DKE loan, is in question.

Record Keeping

When I became President of the foundation, it was upon condition that the record keeping for the foundation would be transferred to the trust department of First Midwest Bank, Lake Forest, Illinois. This was accomplished by banking resolution adopted by the Trustees, and forwarded to the bank May 22, 2009.

Further, on August 5, 2009, we have engaged the accounting firm of Kessler, Orlean and Silver, CPAs, to prepare our tax return and audited financial statements for the year ending June 30, 2009. We have paid them a retainer of \$5,000.00 to be applied to their fee. The individual within that firm responsible for our account is Ben Darcy,

<http://www.koscpa.com/Leadership/Ben-Darcy.php>

One of the founders of the firm, Ron Orlean, has been my personal accountant for approximately 35 years. You can learn more about our new accountants at their website:

<http://www.koscpa.com/index.html>

The foundation received its audited statement(s) for the years ended June 30, 2006, 07 and 08 from Godfrey Hammel on September 10, 2009. These were immediately posted to the website, at

http://www.dke.org/the_rampant_lion_foundation/docs/Rampant_Lion_Audit_2006-2007-2008.pdf

where they can be examined if you wish. In order to secure release of the audited statements, the foundation was required to make a payment to Godfrey Hammel in the sum of \$10,000, which I thought brought us current with them. I was surprised to learn, however, that we owed them (and still owe them) an additional \$25,000 for their services in preparing these statements. I have reviewed the statements in detail, also reviewed them with our new accountants and concluded that the amount charged is in keeping with our engagement letters. Further the Godfrey Hammel firm has been most gracious and cooperative in the transition to our new accountants. I have begun to pay them at the rate of \$1,000 per month, beginning in December, 2009.

Together with DKE, in October, 2009, we have now engaged the firm of Greek Resource Services, Inc., Tuscaloosa, Alabama to do our book keeping. To learn more about this firm, you can visit their website at:

<http://www.greekresourceservices.com/index.html>

This firm is better suited than First Midwest Bank to handle our day-to-day accounting, book keeping, payroll, and the like. Although First Midwest will continue to invest our funds available for investment, we anticipate that Greek Resources will be a more effective and economical way to handle daily operations. They also plan to offer us a credit card service which will permit us to accept donations via credit card once again.

Fund Raising

Today the Foundation has very limited funds with which to pursue its purpose of providing scholarships. With this in view, and having seen the success of Pennington & Company in raising funds for our Psi/Alabama chapter, we began discussions with Pennington regarding a possible fund raising campaign. To learn more about Pennington & Company, you can visit their website at:

<http://www.penningtonco.com/>

Through the good offices of John McNeil, our Treasurer, we were able to secure an offer from Pennington to begin by writing a newsletter and follow up fund appeal without charge for their services. Their only charge was for actual costs of printing and postage. To see the newsletter Pennington prepared for us, visit our website at:

http://www.dke.org/the_rampant_lion_foundation/docs/2009_Spring_Lions_Roar.pdf

Based on a favorable reaction to their initial services, Trustees of the foundation, Directors of DKE and Patrick Alderdice, President of Pennington met at Ft. Myers, Florida on October 1 and 2 to discuss further fund raising efforts. Mr. Alderdice suggested that before his company could undertake to represent the foundation in a major fund raising effort, the foundation needed to take initial steps to get ready for this effort.

We need to update our data base, improve our communications with alumni and take other steps to prepare to go forward with a fund raising campaign. We have a joint proposal from Pennington to assist us and DKE in these preliminary steps, at a cost of \$30,000 to \$32,000 to which we must respond soon.

The results of the initial Pennington campaign have been very disappointing. Although Pennington is making no charge for its services in preparing the Lion's Roar and the follow up appeal for funds, *the campaign has not, to this date, raised enough money to cover the mere costs of printing and postage.*

Meanwhile, Interim Executive Director of DKE, Doug Lanpher has interviewed other fund raising companies, and we should also consider his recommendations regarding these sources before making a final decision.

One fund raising issue faced by the foundation is the fact that our Canadian resident alumni receive no tax benefit for their contributions to the foundation. A solution to this problem would be to create or reactivate a Canadian foundation which could act in concert with the Rampant Lion Foundation in fund raising, scholarships and other activities. We have received an opinion from an expert in charitable foundations that the awarding of scholarships on either side of the border would be no problem for a foundation located either in the US or Canada. Bros. Grant Buryeat, Phi Alpha/British Columbia, '65, and Brent Tynan, also Phi Alpha, are working on reactivating a Canadian foundation for this purpose. I have asked Bro. Tynan to head a committee looking at a combined effort of US/Canadian alumni to raise funds for both the fraternity and the foundations, and, as a sub-set of this activity, to study ways of acquiring, preserving and making available Deke artifacts and archives from all parts of North America. Bro. Tynan has suggested Bro. Eric Freeman, Psi Phi/DePauw, as an additional member of this committee, and extended an invitation to him to join.

David Easlick

David Easlick preceded me as President of the foundation. When he resigned as President, he did not resign as a Trustee of the Foundation, and he remains a member of the Board of Trustees today. He created the foundation in June of 1984, and has continuously served on the Board since. He has given generously of this time in answering my many questions about various aspects of the foundation. When I became President, I agreed to serve without compensation. We had been paying David \$4,000 per month when he resigned. I indicated that I would like to expend this same sum in paying First Midwest Bank approximately \$1,000 per month, and paying \$3,000 per month to David for his continued consultation with me and with the Board. This was agreed to by the Board on an interim or trial basis, and continued through a payment for January, 2010, delivered to David on December 24, 2009.

David resigned as Executive Director of DKE at the beginning of our October meeting with Pennington, and discussions with him regarding his severance/retirement benefit, if any, have been ongoing since. The committee dealing with this for DKE consists of Stan McMillan, Gamma/Vanderbilt, '89, who is also a Trustee of the foundation, and Paul Mullin, Sigma Beta/UC Santa Barbara '93 and myself. Our counsel is Kent Vana, Omicron/Michigan, '59. We have met with David in Florida and Spartanburg, SC, and have entered into a "stand still" agreement with him, under which the Foundation continued to pay him \$3,000 monthly for his consultation(s) and to induce him to refrain from public discussion of either the fraternity or the foundation, through January, 2010. In addition he has continued to participate in DKE group health insurance.

Employees

When I became President of the foundation, Alec Ream was our only employee. Alec

was scheduled to go to Baton Rouge, to live in the ZZ Chapter house there. Because of liability concerns, among other things, it was concluded that he would be transferred to the DKE payroll, and in return Sara Katherine Manning-Beavin would become a full time foundation employee.

When Sara Katherine transferred to the foundation, I was delighted to learn that she has a background in education (teaching) and also in accounting, learned from her father, who is an accountant. She and I collaborated in preparing a job description for her in keeping with her new title "Assistant to the President." The job description emphasizes the importance of her independent action in problem solving. We envisioned her role encompassing assisting me with all my duties, acting independently whenever possible, but keeping me informed. In turn I have attempted to keep her informed of my activities, plans and proposals. She has taken this role truly to heart, and done an outstanding job. It is my belief that given an active Board of Trustees, meeting at least quarterly to provide policy direction, Sara Katherine could do my job, and do it well.

She has taken a lead role in dealing with all the foundations properties, arranging for and directing the actions of property managers at each location. She has coordinated our changes in book keeping and accounting functions.

Frustrated with an inability to verify her (and her family's) coverage with our health insurance company, she concluded it would be in the best interests of both the foundation and her family to elect coverage under her husband's policy, with the foundation paying the out-of-pocket portion of that premium instead of the full family premium under our (Anthem) policy, and this went into effect January 1, 2010.

I have increased her compensation effective January 1 to cover this additional cost plus the estimated additional tax cost (20%), and also given her a 3% (\$100 per month) salary increase. I also paid her a year-end bonus equal to two weeks (\$1,500) salary. These bonus payments and salary increases are in keeping with national norms, and due to a reduction in health care costs, the overall effect is a net cost saving to the foundation of almost \$2,000 per year.

Properties

The foundation has owned and operated four fraternity houses, one at Michigan, two at Yale, and one at Mississippi. In addition, we own the Shant, in Ann Arbor, Michigan. (Background and picture of the Shant may be found at: <http://www.umdke.com/history/>)

Omicron/Michigan

In April, 2009, the Michigan Deke house, at 1004 Olivia, Ann Arbor, Michigan, was seen as the first asset we could sell in order to address some of the economic problems at the foundation. The most recent available appraisal suggested the property had a value of \$1,300,000. It was the only property owned by the foundation not subject to a mortgage, although there were \$57,000 of unpaid real estate taxes, and immediately needed repairs

estimated to cost \$150,000. The Michigan house was listed for sale with a California based broker, suggested by brother Paul Mullin, Beta/UC Santa Barbara '93, but several known interested parties were excluded from the listing agreement.

The other properties were encumbered by two separate loans from Bank of America, the larger of which with a balance due at that time of some \$680,000, and another loan of about \$100,000 used for previous repairs of the Ann Arbor house and other matters.

We received a Letter of Intent (LOI) from the Sigma Group, LLC, a California LLC which invests in fraternity housing all over North America, for \$500,000. Sigma was one of the buyers excluded from our broker's agreement. Given the appraised value of the property was in excess of double the offer, but also given (a) the market in Michigan, (b) the condition of the house, and (c) the urgency of the foundation's need for cash, the Trustees approved in principal. Ultimately the contract entered into was for a selling price of \$550,000, contingent upon the foundation making \$150,000 of repairs, and paying the \$57,000 back tax obligation, so that the net to the foundation appeared to be about \$350,000. As an aside, I wish to note that damage to the house was so significant in school year 2008-09, that I took the \$500 security deposits of every single resident of the house, and this did not cover the current damage.

At this point in time (between the signing of the contract and the closing) David Easlick undertook a personal fund raising campaign to "Save the House" at Michigan. Part of this campaign involved borrowing money on a series of \$5,000, 9% mortgage notes, and the rest simply sought donations for the purpose of paying the taxes and doing repairs. David reported to me that the result of his effort over the months of July and August, 2009, was to raise \$55,000 of Borrowed funds and \$28,000 of donations, or a total of \$83,000. Subsequent examination of the financial statements indicate that the actual amount raised was somewhat less, but it is significant to note that **NONE OF THE FUNDS RAISED WERE USED EITHER TO PAY TAXES OR TO EFFECT REPAIRS.** As far as I have been able to determine, the funds raised were used to pay accrued and unpaid wages to DKE employees, unpaid utility bills for both Michigan and Yale, and other operating expenses of the fraternity.

We proceeded to closing on August 28th. From the sale proceeds the \$57,000 in past due taxes were paid, an escrow was created for \$150,000 to cover the repairs we had agreed to make, and the foundation also had to repay \$55,000 of the funds borrowed for these purposes and then diverted to other uses. We also had to deal with unpaid utility and maintenance bills stretching back over a full twelve months out of the proceeds of sale.

We have a handshake agreement with Sigma to lease the property for the 2009-2010 school year for \$92,000. At closing, we paid \$46,000 of this rent obligation from the proceeds of sale. IF we make the remaining \$46,000 payment, we will be entitled to lease the property again for the 2010-2011 year, at a rental of \$93,000. A proposed written lease, with terms which are generally acceptable, has been provided by Sigma, and we are working out the final. Each one-year lease will contain a right to renew for an additional year, up to a maximum of 10 years. ***There is no repurchase option.***

We have engaged Arch Realty, of Ann Arbor, Michigan, to manage the property for us, including superintending the repairs, collection of rents, payment of utilities and the like. Our agent at Arch, Francis Clark, is the son of Omicron Deke, Dick Clark, and the nephew of Omicron Deke, Alexander Duffield. We are now provided with regular monthly accountings of the operation of the house. The house is currently occupied by 15 men, and is operating at a loss.

We had thought to make up the shortfall in rental income from the house with the imposition of parlor fees on non-resident members (mostly upperclassmen). The response of the non-resident chapter members has been totally negative, with many threatening to deactivate rather than pay the parlor fee. Doug Lanpher and I both went to Ann Arbor for a special meeting with the Chapter to explain the nature of the financial transactions, and the reality of the current situation. Although those in attendance seemed to respond favorably to our candid and complete presentation, most of the seniors chose not to attend the meeting. Various chapter activities to raise the funds not raised through parlor fees have been proposed by Bros. Lanpher and Hossain, but to date the chapter has been unreceptive to these plans.

Hence we, the foundation Trustees, must address the issue of whether or not to renew the lease for the Omicron house. If we do so, we will have to "find" the funds to make up the shortfall in the current rent, (estimated to be \$20,000) and hope that rentals next year will be sufficient to cover the costs of continued occupancy. If we do not, we face the prospect of our Omicron chapter having to find new housing for next year. This decision must be made before the end of March, since notice of non-renewal must be given by then if that is our choice.

Phi/Yale

One of the Yale houses had suffered fire damage before April, 2009. I found that the proceeds of insurance had not been used to pay contractors who undertook the repairs, and both the contractors and the property manager were refusing to complete work as required by the City of New Haven until they were paid.

Bro. Easlick contacted Brother James Bishop, Phi, '56, who agreed to provide the required funds to complete repairs. In total, Bro. Bishop loaned the foundation \$40,000 for the purpose of completing the repairs, and addressing other issues at the two houses. As instructed by Bro. Easlick, I prepared a note and mortgage in favor of Bro. Bishop, the mortgage being secured by the houses. I sought, but never received, recording and delivery instructions for the note and mortgage, hence both are still in my possession and the mortgage is unrecorded. Bro. Bishop's funds were used to pay contractors to complete the necessary fire repairs, but the remainder of the funds were not used to upgrade the properties as required by zoning laws, but were rather used to meet operating expenses of the fraternity. All this occurred before I had secured control of the foundation's bank accounts.

We had a property management company, Whitney and Company, in place in New Haven, but due to our spotty payment record, they were refusing to do any further work for us. Using the funds provided by Bro. Bishop, we were able to bring our account current, and, on

August 18, we entered into a new management contract with Whitney, turning over all day-to-day operations, including leasing, utility payments, tax payments, collections, etc. This arrangement has proved highly satisfactory and they are providing monthly accountings of the properties, which appear to be operating at about a break even level. I have been providing copies of these statements to Bro. Bishop.

We still have overhanging the issue of zoning in New Haven. One of the houses must be converted to meet a “three family” standard in order to comply with current zoning. Additionally, there is substantial deferred maintenance required.

Bro. Easlick has approached us with a proposal from a newly formed charitable foundation “Mother Phi Foundation” a Florida not-for-profit, listing Bro. Bishop as President, Bro. Easlick as registered agent, and Mrs. Easlick as Secretary. The proposal is that this new foundation would take over the Phi properties, indemnify the RLF against the Bank of America mortgage, undertake all necessary repairs, and also undertake all occupancy costs. In return, we would agree to deed the properties to them. The foundation would thus be relieved of a \$680,000 (approximately) mortgage obligation, requiring monthly payments of \$5,708, plus all other expenses associated with these two houses. When asked about the \$40,000 mortgage to Bro. Bishop, Bro. Easlick told me to reverse the transaction, treat it as an additional contribution to the foundation during 2009, and do away with the mortgage. He indicated he was authorized to do this by Bro. Bishop.

With the authority of the executive committee of the foundation, I have accepted this offer in principle, and engaged the law firm of Withers Bergmann, LLP to represent us. James Carolan is the attorney at the firm who is handling our matter. His educational background is Cornell University, A.B., Stanford University Graduate School, M.A, University of Connecticut School of Law, J.D. The firm’s website informs us “Jim leads the firm's US Real Estate practice which handles both residential and commercial transactions, particularly for foreign real estate investors and for organizations in the nonprofit, luxury, hotel and art sectors. Jim combines his experience from his 14 years as the Associate General Counsel for Yale University to provide clients in the nonprofit world with advice on real estate, endowment and commercial engagements of many kinds.” We have paid them a retainer of \$5000, which will apply to their fees at the conclusion of the matter.

They have suggested we structure the transaction as an “absolute net” lease, coupled with a complete indemnity from Mother Phi to our foundation. We would agree to deed the property at their request for an additional \$1.00. In a meeting with Bro. Easlick on December 28th, he agreed in principle to this structure, and I have instructed our attorneys to draft the necessary documents. We hope and believe that this matter can be concluded and closed in January, 2010.

Chi/Mississippi

As of April, 2009, Our Chi Chapter had been “off campus” for the past two years, and paid no rent on their house, which is located on land leased from the University. We were over two years delinquent in our payments to Phi Gamma Delta under the purchase money mortgage.

We hoped for a full return to campus, and a resumption in rent payments.

Chi Alumnus, Bill Gresham, who had loaned the foundation \$100,000 to facilitate the purchase of the house, and repairs, by letter dated June 11, 2009, forgave the remaining balance of \$29,850 on the foundation's indebtedness. On June 24th, Bro. Chase Treadway delivered formal notice of renewal of the foundation's lease and the required \$25 cash payment required to renew the lease to the University. This was followed by a letter from the foundation confirming the renewal and payment of an additional \$25 on June 24th.

The future looked bright at Mississippi. *Man plans and God laughs*. All attempts to get the restored chapter to begin making rent payments to the foundation were ignored. Then the chapter was disciplined by the University for hazing pledges, with the ultimate sanction imposed: a four year banishment from campus. Not only had we received no rent whatsoever, but in addition, the prospect for any payment in the next four years was dim. We had to incur the additional expense of putting a watch service in place to safeguard the property.

Additionally, the repair and redecorating that took place prior to reopening the chapter attracted the attention of Phi Gamma Delta, which began demanding we bring our obligation to them, \$270,000 including accrued, unpaid interest, current. We also owe the Bank of Oxford, Mississippi \$25,000. And under new laws adopted by the State of Mississippi, it is necessary to install sprinklers in the house, at an estimated cost of \$50,000.

We began searching for a tenant, or a buyer for the house. A group of Mississippi alumni has given us a letter of intent to purchase the house for \$350,000, and to assume the responsibility for installation of sprinklers. They are working with Greek Resources to find a four year tenant. Bro. Al Bienvenu, ZZ, '70, with the assistance of local counsel, Kevin W. Frye is preparing documentation for this transaction, which also will hopefully close in January. We have negotiated a payoff with Phi Gamma Delta of a flat \$200,000, waiving the accrued interest of \$70,000. The foundation should net over \$100,000 on this sale, which will help with our restricted fund issues discussed below.

The Shant

The Shant was constructed by our Omicron chapter in the late 1870s and has been continuously in DKE hands, either Omicron or the foundation, ever since. It is a tiny building located less than a block from the main campus of the University of Michigan, in a commercial district. Once without electricity, and lit by gas, today it has been renovated, and serves as headquarters for both DKE and the foundation. We have a written net lease with DKE Fraternity, dated July 1, 2009, calling for rent payments of \$1,500 per month, and requiring the fraternity to pay other occupancy costs as well. Bro. Kent J. Vana, O'59, managing partner of Varnum Riddering, Grand Rapids, MI, provided substantial assistance in the preparation of the lease. *The fraternity has never made a rent payment under the lease.*

Generally speaking the building is in good condition, considering its age - 130 years. It requires a new roof, and slate for that purpose has been purchased and is available when funds

for completion are. We have upgraded the alarm system at the Shant, having regard for its age, and the fraternity memorabilia it contains. The building does not have a sprinkler system.

Foreign Qualification(s)

We have designated a professional corporate agent, National Corporate Research as our agent in Michigan and Mississippi. Review of Connecticut law suggested it is not necessary for us to qualify to do business there, and our counsel in New Haven has confirmed this fact.

Syracuse Mortgage

In 1991, the foundation loaned our the alumni association for the chapter at Syracuse (Central New York Association of Delta Kappa Epsilon, Inc.) \$135,000 to purchase a lot upon which a future new house might be constructed. Although records are sketchy, it appears that regular mortgage payments have never been made. It evidently was the foundation's practice to allow contributions to the foundation from alumni at Phi Gamma to be credited against this loan. The records available to me suggest that the current balance on the loan is \$112,287.01.

The alumni association has just contacted the foundation seeking information as to the current balance due on the loan. It is my hope that we will be able to work something out with them to begin regular monthly payments to amortize this debt.

Restricted Funds

In April, 2009 it was my impression that the only restricted fund held by the foundation which was not available in cash or marketable securities was the Phi Epsilon fund mentioned above. It has since been determined that several of our restricted funds have been similarly invested in foundation real estate, or loaned to the fraternity for various purposes. As mentioned above, the current balance due from the fraternity is apparently \$122,701.53.

Herbstein

When Sebastian Herbstein died June 20, 2002, his family sought to preserve and honor his memory through the creation of a scholarship. They wanted to award \$1,000 annually to the best DKE undergraduate fiction writer. They were informed that it would take \$25,000 to create such a scholarship. Friends of the deceased, and his mother, raised the money which was turned over to the foundation. Since, then the foundation has annually awarded the \$1,000 scholarship.

In the fall of 2009, Dr. Judith Friedenber, Sebastian's mother, contacted the foundation with a view to expanding the scholarship to include not only active Dekes, but descendants of Dekes. They made inquiry about the status of the fund, which brought to our attention the fact that all the \$25,000 had been invested in foundation real estate, or loaned to the fraternity. This was very upsetting to the family, as they had the impression the initial \$25,000 had been used to purchase an endowment or annuity policy to fund the scholarship. I have made the commitment to Sebastian's family that we will, as soon as possible, restore these funds, and hope to do so out

of the proceeds of the Mississippi house.

Other Restricted Funds

Investigation reveals that several other of our restricted funds are in also no longer in identifiable accounts, but are “invested in our real estate.” A survey of the Trustees of the foundation reveals that none of the responding trustees had any knowledge that restricted funds were being so treated. Three Trustees have not responded to this inquiry, but other former Trustees have confirmed they had no knowledge that restricted funds were not held in segregated accounts.

As of November 9th, 2009, it appears we have the following Restricted Funds on our books:

1. Gilcrest Fund \$41,789 at 6/30/08
2. Cooper \$16,000
3. Zeta Zeta (less than \$1,000)
4. Wesleyan Gamma Phi \$51,957
5. Psi Delta \$31,918
6. Sigma Alpha \$11,666
7. Permanent Cooper Fund \$17,016
- 8 Herbstein, \$25,000

of these, the Gamma Phi fund is in the form of a Certificate of Deposit for \$50,000 at Bank of America, which is pledged as security for a loan, hence, though intact, it is not available for scholarships, loans or other purposes.

Golf Tournament

The foundation has sponsored an annual golf tournament as a social mixer as well as fund raising event. Whether this event actually creates a positive cash flow (revenue in excess of expense) is under investigation, and a recommendation as to its continuance, or not will be forthcoming at a later date. It has just come to my attention that one item sold at the silent auction for the last tournament, use of a home in Naples, Florida for one week in March, 2010, which sold for \$2,000, will be a problem for the foundation. The donor of the home has rescinded the offer, leaving us with the obligation to refund the \$2,000 paid.

Looking Ahead

I believe we have made substantial progress in creating a more orderly foundation. Book keeping is substantially improved, we are making headway in restoring restricted funds to a liquid cash position. I believe the foundation should attempt to avoid being or becoming a landlord in the future, and to the extent possible it should restrict future investments to marketable securities, cash, and performing loans in aid of alumni or chapter house corporations.

I will be ending my term as President in six months. Although I strongly believe the foundation should have separate leadership from the fraternity, simple economic necessity may not make this possible. In the event we resume the practice of making the Executive Director of the Fraternity also President of the Foundation, I believe we should have a strong, active oversight committee from the Board of Trustees to insure the financial independence of the foundation. Certainly the foundation should do all it can to assist the fraternity within the bounds of prudent financial management.

DKE has created a search committee seeking a permanent replacement for the Executive Director. I wonder if it would be possible to ask this same committee to either search for my replacement, or at a minimum, forward resumes and recommendations which might be of interest to the Trustees in selecting my replacement. I see no sense in duplication of effort.

The foundation, in my opinion should seek to pursue primarily educational goals, including the awarding of scholarships, and student loans to our undergraduate members. Additionally we should consider undertaking educational activities of our own, including classes and programs on history of the fraternity, chapter management, hazing, alcohol, alumni relations and so forth. We are currently preparing an on-line course on financial responsibility to be offered on a no charge basis to our undergraduate members. It will deal with such subjects as budgeting, financially responsible living habits, credit cards - use and abuse, student loans, mortgages, etc

Conclusion

The Rampant Lion Foundation is a work in process. I believe it is in better order today than when I became President, but it appears to be making very little progress toward a goal of being a functioning educational institution, capable of awarding scholarships and loans.

It costs a great deal of money to keep and maintain a qualified 501(c)(3) institution. Lawyers fees, accountants fees, reports, etc are substantial. If the foundation is to have a positive impact on DKE and the world, it MUST have a larger "flywheel" i.e., more money to work with. The foundation should evaluate whether it is willing and able to engage in major fund raising to this end. Continuing to operate in the current framework, in my judgement, is a waste of a lot of good men's time.