

MINUTES OF CE&CF BOARD MEETING

February 15, 2019

Present: Fenstermacher, Giesler, Gilsdorf, Hoeb, Lang, Simendinger, Sparrow, Strohbach & Wanninger. Excused: Dever, Haines and Meese.

Minutes of the November 2 meeting were approved.

President's Report – Bill Giesler

Active Chapter - Brian Kemper, Active Chapter President

Alpha Xi was able to close the Fall Semester on a high note. We initiated our Pi Pledge Class into our bonds and introduced them to our alumni at the Annual Christmas Scholarship Luncheon which always proves to be a great time. Our new brothers were thrilled to receive such a warm welcome by actives and alumni alike. After the luncheon, we capped off the semester with our annual Christmas Date Party and celebrated the end of another great semester.

Winter is usually a rather dead time for active chapter, but that was not the case this year. Many of our brothers traveled to Steamboat Springs for a ski trip through a university club. This looked like a fantastic time and gave the brothers a chance to have some fun and grow closer together. After that trip around 60 brothers submitted scholarship applications to CE&CF as well, all while getting excited for Founder's Day. During the holidays, many of the brothers went home but the Nester Home was still alive and well since the basement project had just started.

The Basement Enhancement project is one of the things I am most proud of from an active chapter standpoint this year. We were able to work effectively with PIKEs Housing Corp to develop and implement enhancements to the basement area. For those unfamiliar with the project, it consisted of repainting all the walls, fixing the air ducts and vents, cleaning the ceiling tiles, adding a new stove and microwave, replacing countertops and cabinets, and opening up the middle barrier that separated the basement. The contractors are almost finished with the project and we are all excited to see it completed, as we are currently just waiting on countertops to come in. All in all, active chapter and the Housing Corp were able to come together and share costs to help make this project possible. We are so thankful for all their hard work and commitment to us and this project throughout the year. This project has also inspired other brothers to add other enhancements around the house like installing a dart board and building benches for the back patio.

After the long winter break our brothers came back to classes in mid-January. We were lucky to travel down to Nashville, TN two weeks into the spring semester to have our annual Formal celebration. We all hopped in busses and rode down to Nashville on Friday to explore the city with our brothers and dates. We had our event on Saturday night at the Cannery Ballroom near Broadway to end the weekend in a great way.

Overall, I am very proud of Alpha Xi this year. We have accomplished many great things, from growing our brotherhood to improving relations with the outside community. We will continue to innovate and make sure our chapter is constantly improving, all while upholding the great name of Alpha Xi. We are looking forward to a strong spring semester!

CE&CF - Bill Giesler See attached letter from letter Mark Sims to Pike Foundation regarding the transfer of funds to CE&CF. We await their reply.

CE&CF received a donation from Mike Dever for the lot immediately behind the Nester House lot. That transaction closed late last year. The intent is to "sell" the lot to UCPHC. AC is providing input into possible uses of the space. Bill Hoeb was asked to send a letter of appreciation to Mike along with a copy of the appraised value of the property (for tax purposes). Discussion followed on pros and cons of possibly selling property to UCPHC.

SHA - Eric Haines, for Mark Woods, SHA President

SHA is actively recruiting Alpha Xi alumni who are interested in becoming more involved. Our goal is to identify brothers to elect and fill vacant positions. Founder's Day presents an excellent opportunity to finalize our list. SHA will be poised to fulfill their mission as the social arm of the alumni organization.

UCPHC - Alex Glutz

- The leasing process for 2019-2020 is nearly complete. As it stands we will start the year with 25 residents. We are encouraging AC to fill the remaining 3 spots.
- We will begin the chapter re-lease process once Upper Exec elections take place in March.
- Over winter break we commenced a remodel/refresh project in the basement. The primary goal was to open up the kitchen area by punching through the remaining "chapter room" walls so that the entire basement could function better as a single gathering place for active chapter. During the project we also replaced/cleaned the ceiling tiles and grid, replaced all of the lights with high efficiency LED bulbs, re-painted the entire basement, and replaced the kitchen countertops, stove, and microwave. We are waiting for the new countertops to be installed, but other than that the project is complete. \$35,000 total (1/3 paid by Chapter, 2/3 by UCPIkes)

Treasurer's Report – Jim Sparrow

Documents were executed to authorize Hoeb and Wanninger to submit requests for checks.

Fundraising Report – Bill Hoeb

Annual Fund Raising Program (AFRP)

As of February 8, 2019, OmegaFi has received 39 pledges for the 2018-2019 CE&CF Annual Scholarship Fund. The contributions total \$10,790 with \$10,190 collected.

Contributions to Funds

The Christmas Scholarship Luncheon made a profit of \$5,678.15. We received year-end contributions of \$6,250 that included a \$5,000 contribution from Russell "Rusty" Felter. A month later, he made a second \$5,000 contribution that created the Chris Felter Memorial Endowed Scholarship Fund. Recently Gary Pies contributed \$1,500 to his ESF.

Johnson Investment Counsel

In mid-January, JIC introduced a revised website. Although attractive, it falls short in providing the detailed transaction information that was a strong, flexible feature of their previous site. The old site allowed the viewer to view all transactions but also included the ability to identify specific data such as contributions. We can no longer do that. Information that was available on the old website will now require back and forth email communication or telephone conversations between CE&CF and JIC.

Expenses

Expenses include the printing and mailing of a postcard for the Christmas Scholarship Luncheon at a cost of \$541.85 and for Founders' Day at a cost of \$580.

OmegaFi has not deducted their \$188 monthly fee from our JIC account for the past seven months. When questioned, our account manager simply commented that they are evaluating their operations.

Investment Committee Report – John Strohbach

The Investment Committee met with Johnson Investments Company (JIC) on January 28, 2019 to review the 1st half of our Fiscal year.

Total Portfolio performance was -3.4% vs Blended Benchmark -4.2%
Equity were -5.5% vs Blended Benchmark -8.5%
Fixed Income was 1.2% vs Benchmark 1.8%

The portfolio composition has changed by the following

Cash and Equivalents -3.4%

Fixed Income +9.1

Equity -0.4%

Equities are now 52.3% (previously ~60%) ; Fixed Income 35.1% (previously ~20%)

This was a planned change to deal with the high volatility and downward direction of the market.

Individual Equity Sector Allocation has changed with Consumer Discretionary -4.2%; Energy -2.0%; Financials +2.2%; Health Care -2.6%; Utilities +2.2%

Fixed Income quality from BBB (36.9%) to Agency/Treasury (47.4%)

Weighted Maturity 7.4 years

Yield to Maturity 3.37%

The total value of the portfolio:

As of 6/30/2018 \$1,013,312

Contributions 64,204

Disbursements -8,531

Net Investment decrease . -34,921

As of 12/31/2018 1,034,064

As of 2/15/2019 1,105,000 (includes market gain & contributions)

This Increase of \$45,000 improves our negative position although it did not come from market gains alone.

Spending limits are 4% of the average portfolio value for the past 12 quarters. Currently the average is 918,098, therefore the spending limit is \$36,724. This will be recalculated at the end of the fiscal year and become our budget for the 2019-2020 Fiscal Year.

If we do not have market growth during the fiscal year the value of a few ESFs may drop below \$10,000. If this occurs the CE&CF Board will be required to decide the appropriate course of action per the Board's Manual of Regulations. Unfortunately, JIC has changed their web site and we will be prevented from reconciling the various special funds. We will pursue this matter further with JIC.

The Investment Policy was reviewed and after some discussion it was agreed to keep as written. Steve Simendinger noted there may be a need to plan for handling gifts of the future (e.g. cryptocurrency).

Scholarship Committee Report – Barry Wanninger

The Scholarship Committee met on January 22nd at Montgomery Inn and selected scholarship & award recipients along with confirming the active chapter's recipient recommendations for the awards which they were responsible. As of February 26th we were still waiting to receive the final UC Fall semester GPA report to select the GPA based scholarships. We were also waiting on the chosen recipient for The Quinn Family Scholarship from Kyle Quinn.

This year we are presenting 31 scholarships and awards for a total of \$37,500 (a \$5000 increase over 2018) at the Founders' Day Celebration. We will be doing a rapid-fire presentation to introduce the recipients with the applause being held until after all recipients are awarded to speed up the program. Some scholarship sponsors most likely will be saying a few words while presenting their awards, but they will be encouraged to keep it short. A picture of all the recipients and alumni presenters will be taken right after presentation if we so desire. Currently, a volunteer photographer is needed.

Finally, once the the checks are received from the Pike Foundation for the endowment payouts to be applied toward the respective awards (Dever, Jones, Nester & Van Fossen), they will be delivered to Johnson Investments for deposit. The final payout amounts have not been received as of the writing of this report. Once they are received they will be reported to the board.

Old Business

Endowed Scholarship Minimum - Bill Giesler's email motion (after the Nov. meeting) that the minimum dollar amount for an Endowed Scholarship revert back to \$10,000 from \$15,000 was approved. He moved that his motion now be approved by the Board in person. Gilsdorf 2nd. Approved.

New Business

CE&CF Manual - Bill Giesler thanked Dick Fenstermacher and Bill Hoeb for the fantastic work they did in putting together the CE&CF Board Manual.

Jane VanFossen Award - Bill Hoeb moved that Jane VanFossen be presented a framed 'Lilly of the Valley' award for her strong support of CE&CF over the years since Jack's death. Giesler 2nd. Approved. It was suggested that board members and scholarship recipient(s) travel to Powell, OH for dinner and the presentation.

CE&CF Succession - Discussed need for a contingency plan when either CE&CF and/or Chapter is no longer functioning (for whatever reason). Who will manage scholarships/ CE&CF funds/ where do they go/ etc.? Steve suggested meeting with JIC attorney and others should be consulted.

Dever Lot - Steve Simendinger moved that Jim Sparrow be authorized (up to \$1500) to buy liability insurance to cover the Dever property. Gilsdorf 2nd. Approved. Need to decide whether to sell to UCPHC using county land appraisal, to hold onto for future possible use (e.g. BB court, deck, etc.)

Administrative Support - Since the Board can no longer rely on Cathy Reeve's support, discussion ensued around buying equipment for her to use at home in support of CE&CF (and paying for her hours). No decision yet.

2019 Meeting dates: May17, Aug. 9, Nov. 1

Jerry Lang (CE&CF Sec'y)

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January 8, 2019

Richard E. Charlton, Esq.
The Winchester Law Firm, PLLC
P.O. Box 17236
Memphis, TN 38187

Re: Pi Kappa Alpha Foundation and College Educational and Charitable Foundation

Dear Mr. Charlton:

I am writing on behalf of our client College Educational and Charitable Foundation (“CECF”). This letter is in response to a letter dated June 8, 2018 from you, on behalf of Pi Kappa Alpha Foundation (the “**Foundation**”), to Mr. Giesler on behalf of CECF.

Without restating the facts in detail, the matter at issue is the “transfer” of certain funds from the Foundation to CECF. You stated in your letter that any transfer of funds should be in the form of a grant from the Foundation to CECF (as opposed to a Section 501(c)(3) organization established by an original grantor to the Foundation), and that CECF should request the grant from the Foundation. You stated that any such grant would be restricted for pursuit of an academic education by an active Alpha XI chapter member. You also set forth detailed administrative and reporting contractual requirements that CECF would need to adhere to in order to receive and retain any grant from the Foundation.

CECF agrees that the transfer at issue will be in the form of a grant from the Foundation to CECF pursuant to a grant request from CECF to use such grant for the pursuit of an academic education by Alpha XI chapter members. However, we believe that the administrative and reporting contractual requirements for such a grant set forth in your letter are unnecessary.

As you know, CECF is, like the Foundation, a non-profit organization exempt from federal income tax under Code Section 501(c)(3). The IRS determination letter to CECF has been provided to the Foundation and CECF will furnish the Foundation copies of its organizational documents upon request. The purpose of CECF, as described in its most recent Form 990, is to provide scholarship awards to university undergraduates. Any grant from the Foundation to CECF would be from one Section 501(c)(3) organization to another, both with the similar purpose of benefitting university undergraduates (specifically active chapter members), which is permissible

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Richard E. Charlton, Esq.
January 8, 2019
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for both legal and tax purposes. Such a grant would be in furtherance of the exempt purposes of the Foundation, and the use of the funds by CECF for scholarship purposes would be in furtherance of CECF's exempt purposes. We are not aware of any requirements of the IRS or other governing authority that would require the Foundation to demand the contractual terms set forth in your letter of another tax exempt organization with regard to a grant that is in furtherance of the exempt purposes of both organizations. Rather, once the funds are received by CECF, CECF will be required to use such funds for scholarship purposes to satisfy its own tax and legal requirements. Once received by CECF, there should be no further control of the funds by the Foundation, and there should be no obligation to return the funds to the Foundation under any circumstances.

CECF and the Foundation ultimately have the same charitable purpose – to benefit the educational experience of active members of Pi Kappa Alpha. CECF is hopeful that the Foundation will agree to grant the requested funds to CECF to advance that purpose, without the onerous administrative and reporting contractual requirements set forth in your letter which otherwise make such a grant unacceptable.

Please let me know if you would like to discuss.

Very truly yours,

KEATING MUETHING & KLEKAMP PLL

By: 
Mark E. Sims

MES:maf

cc: William Giesler

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