



IOTA DELTA CHAPTER

February 1, 2015

Dear Brothers,

I wrote a couple weeks ago to let you know that we were in the process of selling the chapter house at 1400 N. Jordan. I'm reporting back to let you know that, indeed, the house is now sold.

Below are details about the sale itself and, more importantly, initial direction on what we do now. Based on the information here, I hope you'll better understand the circumstances we faced and better appreciate why selling was the best decision for Iota Delta.

From here our next steps will all be in pursuit of one goal: building a new chapter. And because no new chapter has ever been successful without an equally great alumni base to back it, our future depends on you. I hope you can take confidence from our newfound stability and that you relish the opportunity to play a role in shaping our future.

Details of the Sale

The new owner of 1400 N. Jordan is Phi Sigma Kappa (the "Phi Sigs"). Just to be clear: Phi Sigs are not the same as our tenant for the past 6 years, Phi Kappa Sigma. Some of you might remember Phi Sigs when they were active on campus in the 1960s and the original owners of 1100 N. Jordan Ave. (which Phi Sigs sold to Delta Chi in 1972 and is now the site of the new Beta house). Phi Sigs re-colonized in 2001 after a long dormant period and have consistently maintained a chapter of 100+ undergraduates ever since, all without permanent housing. This past year their IU chapter took home honors as the top Phi Sig chapter nationwide, and the IU chapter's strength ultimately convinced the Phi Sig national housing organization to loan more than half-a-million dollars to the chapter to make the sale happen.

We sold the house for a final sales price of \$1,925,000, which was \$125,000 above appraised (i.e., fair market) value. And just as importantly, we sold the house "as-is", so we're not responsible for anything related to the house going forward. By pursuing a sale now, we capitalized on a competitive bidding situation unlikely to arise again, especially because IU is finalizing a new process to open up land for new Greek housing. Once that process is in place, buying our house at a high price would be considerably less attractive. We were lucky to find a buyer who couldn't afford to wait until then.

The debts (and related risks) we retired by selling were significant. Even though we preserved our equity by avoiding foreclosure in 2009, it took literally our last dollar to do it and still left us owing \$1.5 million in debt to the bank and other parties (in the form of two mortgages and additional unsecured debt). With no cash and that level of debt, the reality is our borrowing capacity was maxed out. We saved as much cash and paid down as much debt as we could over the past five years, but any breathing room we created by doing so was completely offset in the end by two things: (1) a tenant (Phi Kappa Sigma) that started missing rent payments just after our 55th anniversary in 2013 (with whom we eventually settled for about half of the \$150,000+ they owed us), and (2) capital spending to maintain a code-compliant house in livable condition (including \$100,000+ this year to replace all 23 exterior doors and frames because of poor-quality installation at the time the addition was built). After selling, we have now retired all of our debts and are no longer in a situation where an unexpected setback might again leave us unable to pay our bills. We worked so hard to avoid foreclosure five years ago; there's no way this board was taking the chance we might end up there again.

In the end, we walk away from the sale with no liabilities and approximately \$400,000 in cash to invest as best fits our needs. I can assure you that this is unique among IU chapters: whatever their reputation or campus address, most IU fraternities are living year-to-year on house bills, facing deteriorating living conditions while paying big mortgages, and taking loans from their national organizations or alumni as they need help. Our having a nest egg at the chapter level sets us apart. And it is the direct result of your past generosity. Our \$400,000 is essentially the same amount you contributed to our 2005 capital campaign, which means – in the end, through all of the uncertainty – your charitable donations to Iota Delta have been preserved. They are no longer at risk of being lost, and they are controlled by people who have only Iota Delta's best interests in mind. I hope this gives you confidence that your gifts are being properly stewarded.

The plan from here is to invest the money prudently and conservatively until it can be deployed to build a new Iota Delta and to eventually secure future housing for our re-colonized chapter. In the meantime, with a clean slate and the freedom to pursue any path of our choosing, we can finally turn our full attention to building a new Iota Delta.

Restarting Iota Delta and Creating a New Future

The process of building a new Iota Delta will have two phases:

Phase 1: Initial on-campus recruitment of our first new-member class, along with all of the pre-work and preparation that goes into making that recruitment successful.

Phase 2: Doing it again, year after year, to build Iota Delta into the best chapter possible.

Since Phase 2 doesn't matter unless we're successful in Phase 1, our entire focus right now has to be on doing the necessary planning and preparation to make our initial recruitment effort a success. Such tasks aren't glamorous, but they are absolutely critical to getting it right.

The Chi Phi national office now employs a full-time Director of Growth and Alumni Services, Bre Berris, who has recently led successful Chi Phi expansions at other campuses and will work with us to start a new Iota Delta. She will ensure we're adhering to the standards Chi Phi now requires of all new chapters, employing best practices in recruitment, and generally setting ourselves up for success.

IU and the Chi Phi national office are both aware of our intent to return to campus, and both support Iota Delta returning as soon as possible. That could be as early as next year in 2015-16, though 2016-17 is probably more feasible. It's up to us to actively decide on what timeline we want to follow. Our sale of the chapter house gives us the financial foundation and clarity of purpose we need to execute, so from here we just need to go do it. And that means getting help from everyone.

So, in closing, I want to re-emphasize this thought from our creed:

"The strength obtained from the union of congenial minds is the backbone of the Fraternity."

The Chi Phi Creed

Going forward, our success will be directly proportional to the strength of our "backbone." Future success will come from making sure brotherhood remains at the center of what we value.

We are a union of 800+ men who share a lifelong commitment to each other and the core values of Chi Phi. The sale of 1400 N. Jordan doesn't end that. Many of us lived in that house, but plenty of us didn't. It wasn't our "backbone." Whatever memories we take away from our time there are still ours to cherish; it's not like they transferred along with title to the property. And when the time is right we will own housing again, in a better location, with a better living

conditions for our brothers who inhabit it, and in a way that fosters brotherhood across generations. But that's for later; right now, building the chapter comes first.

More details regarding the specific steps to building a new Iota Delta chapter will be following shortly, so please stay engaged. I hope you'll step up and contribute where needed and when asked. I encourage you to reach out to me and to the board to express your feelings, so that your opinions can be heard. And I also want to say thanks for the positive messages of support we as a board have received over the past five years – they've kept us energized even when challenges arose.

As we look to the next five years, I promise you they are going to be great. I'm looking forward to building our future together.

Fraternally,

Ben Schmidt
Iota Delta '02
President
Indiana Chi Phi Alumni Association