



October 16, 2019

**Christopher J. Bellini**

Member

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**PERSONAL AND CONFIDENTIAL**

The Board of Trustees of Chi Psi Educational Trust, Inc.  
c/o Mr. Samuel Bessey  
45 Rutledge Street  
Nashville, TN 37210

**Re: Proposed Educational Grant to Alpha Nu Trust**

Gentlemen:

You have requested our opinion concerning the possible effect on the Chi Psi Educational Trust, Inc.'s (the "Foundation") tax exempt status under Internal Revenue Code Section 501(c)(3) of making a proposed grant (the "Grant") to the Alpha Nu Trust (the "ANT"). The Grant would be used by the Alpha Nu Chapter to fund the renovation of the educational areas (the "Educational Areas") of the chapter house (the "Chapter House") used by members of the Alpha Nu Chapter (the "Chapter") of the Chi Psi Fraternity (the "Fraternity"). The use of the Grant is more fully described in the Grant Agreement attached as Exhibit A (and the exhibits thereto) which is an integral part of this opinion (the "Grant Agreement").

In the preparation of this opinion, we have reviewed and relied upon correspondence to the undersigned and enclosures therewith, including financial information and architectural plans (with square footage specifications); the letter from James Ehrmann, Greek Program Director at the University of Minnesota (the "University"), which is attached as Exhibit B; and such other materials and authorities as we deemed necessary or appropriate in the matter. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Grant Agreement.

In addition, we have relied on the following facts:

**PART ONE: STATEMENT OF FACTS**

The Foundation is an Illinois nonprofit corporation, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and recognized as a public charity under Sections 509(a)(1) of the Code. It is organized and operated exclusively for charitable and educational purposes.

The ANT is a Minnesota nonprofit corporation, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and recognized as a public charity under Sections 509(a)(1) of the Code. It is organized and operated exclusively for charitable and educational purposes.

The Northwestern Chi Psi Educational Foundation, Inc. (the "House Corporation") maintains the Chapter House for the Chapter at the University. The House Corporation filed an

Application for Exemption from federal income tax under Section 501(c)(7) of the Code with the Internal Revenue Service and the Chapter is described in Code Section 501(c)(7).

1. Description of Proposed Grant.

The Foundation proposes to make the Grant to the ANT to fund certain renovation costs associated with the Educational Areas of the Chapter House. The Grant is fully described in and governed by the Grant Agreement, attached hereto as Exhibit A, and incorporated herein. The ANT will use this Grant to fund the Building Construction Costs, which costs are attributable to Educational Areas.

2. Description of Educational Areas.

The floor plans for the Chapter House, which are attached as Exhibit 3 to the Grant Agreement, show the space to be used exclusively for educational purposes by the Chapter. The following paragraphs provide a summary of the Educational Areas, their location, the facilities they will contain and the educational activities to be carried on in these areas:

3. Description of Grant Agreement.

The ANT, the Chapter, and the Foundation will enter into the Grant Agreement, a copy of which is attached as Exhibit A. This section will provide a brief summary of the terms of the Grant Agreement.

The Grant Agreement begins with a general statement in Section 1 limiting the use of the Grant to the educational purposes and activities described in Section 2. Section 2 restricts the use of the Grant to finance Building Construction Costs. The specific Educational Areas of the Chapter House are more particularly identified on the plans attached as Exhibit 3 to the Grant Agreement.

Section 3 determines the amount of the Grant to be used to finance Building Construction Costs. The computations for determining the amount of Building Construction Costs allocable to Educational Areas are set forth in Exhibit 2 to the Grant Agreement.

Section 4 provides a correlative to the requirement that the Grant funds shall be applied only to the Educational Areas, by prohibiting any use of these areas other than for charitable and educational use, except for minor social or recreational use. In other words, Section 4 prohibits any mixed use of the Educational Areas financed by the Foundation's Grant (other than minor social or recreational use).

Section 5 contains the record keeping requirements of ANT.

Finally, Sections 6 and 7 discuss the furnishing of reports by ANT to the Foundation.

## PART TWO: LEGAL ANALYSIS

This section addresses the issue of whether the Grant will adversely affect the Foundation's exemption under Section 501(c)(3) of the Code.

In general, the Grant should not adversely affect the Foundation's exemption under Section 501(c)(3) of the Code provided that the following requirements are satisfied: (i) the Grant furthers the Foundation's exempt purposes, and (ii) the Foundation retains certain controls as to the use of the Grant to ensure that they are used for purposes consistent with Section 501(c)(3) of the Code. These two requirements are discussed in detail below.

### I. Furtherance of Exempt Purposes

The Foundation is organized and operated exclusively for educational and charitable purposes. The term "educational" is defined in Treasury Regulation §1.501(c)(3)-l(d)(3)(i)(a) to relate to the instruction or training of the individual for purposes of improving or developing his or her capabilities.

In July 2001, the National Office of the Internal Revenue Service established guidelines for approving housing grants from fraternity foundations. Pursuant to these guidelines, the IRS approves grants for the construction or renovation of space in a local chapter house that is used exclusively for educational purposes (except for minor social or recreational use), provided that the benefit is similar to those provided by the specific college or university for the education of the general student body. Examples of educational grants would be for dedicated study, library, computer and instructional areas of a chapter house that are similar to those provided for the general student body by the university, and items in these areas such as computers, computer desks and computer chairs. A computer, desk and chair may also be provided in the student room, provided the house corporation retains ownership of these items. Furthermore, if the college dormitories are wired for computer use, it would further educational purposes for a fraternity foundation to provide funding to wire a fraternity house. Finally, grants can be made for annual operating expenses (insurance, utilities, and similar items) relating to dedicated educational areas as well as for the installation of fire alarms, smoke detectors, and internal sprinkler systems for dedicated educational areas. Any reasonable allocation may be used for determining educational space in the fraternity house.

These guidelines are similar to the IRS's ruling position in the past. For example, the IRS has issued rulings approving such grants, including funding for the following types of educational areas:

- **Study rooms or study areas** (See, e.g., Private Letter Rulings 95-24-032; 92-19-033; 90-25-073; 88-23-088).
- **Libraries** (See, e.g., Private Letter Rulings 93-06-034; 92-19-033; 90-14-061; 88-23-088; and 80-09-052).
- **Computer Rooms** (See, e.g., Private Letter Rulings 95-24-032; 92-19-033).
- **Leadership Training Rooms** (See, e.g., Private Letter Rulings 88-23-088; **82-20-080**).
- **Audio Visual Rooms** (See, e.g., Private Letter Ruling 88-23-088).
- **Furniture and Equipment for Educational Areas** (See, e.g., Private Letter Rulings 95-24-032; 93-06-034; 92-19-033; 90-02-036; 88-23-088).
- **Operating fund for Educational Areas** (See, e.g., Private Letter Rulings 95-24-032; 93-06-034; 92-19-033; 90-02-036).
- **Computers, Desks and Chairs in Rooms** (see, e.g., Private Letter Ruling to Gamma Nu Educational Foundation dated September 14, 2001).

and Private Letter Ruling to Alpha Xi Delta Rho dated September 10, 2001).

Because access to the Chapter House generally is limited to members of the Chapter, there is an issue as to whether the private benefit to Chapter members is merely incidental to the public benefit derived. If the private benefit to the Chapter members is other than incidental, then amounts paid for the Building Construction Costs attributable to the Educational Areas would not be exclusively for Code Section 501(c)(3) purposes. See Treasury Regulation § 1.501(c)(3)-1(d)(1)(ii). Phrased another way, the Foundation must establish that the private benefit running to the Chapter members as a result of their use of the Educational Areas is merely incidental to some overriding public benefit.

The determination of whether private benefit is merely incidental to overall public interest turns on the nature of the activity under consideration and the manner by which the public benefit will be derived. The substantiality of the private benefit is measured in the context of the overall public benefit conferred by the activity. While the private benefit must be incidental in both the qualitative and the quantitative senses, the extent to which private benefit may be acceptable will vary in each case in direct relation to the degree of public benefit derived. Thus, the private benefit analysis considers the scope of the class to be served by an organization's otherwise exempt activities. See GCM 39612 (July 9, 1986).

By their nature, exempt educational activities serve private purposes by providing direct benefits to private parties. Nonetheless, in an educational context, an organization may be determined to be operating for public purposes even if the general public does not have the same direct access to the educational program as does some smaller, restricted group. The principal ruling on this topic is Rev. Rul. 75-196, 1975-1 C.B. 155. In that ruling, the Service addressed the issue of whether the maintenance of a law library was an educational activity where use of the library was restricted to bar association members and their designees. The issue was whether the class benefited was broad enough to warrant a conclusion that the activity was serving a broad public interest.

The IRS noted that the limited access to and use of the library facilities was not necessarily a bar to recognition of exemption under Section 501(c)(3) of the Code. The library facilities were available to a significant number of people, and the restrictions were imposed primarily because of the limited size and scope of the facilities. The IRS concluded that the law library did serve a broad public interest, stating: "The fact that attorneys who use the library may derive personal benefit in the practice of the profession from information garnered thereby is incidental to this purpose and is, in most instances, a logical by-product of an exempt process."

The IRS has published other rulings confirming this basic principle. For example, in Rev. Rul. 69-545, 1969-2 C.B. 117, the IRS stated as follows:

The promotion of health, like the relief of poverty and the advancement of education and religion, is one of the purposes in the general law of charity that is deemed beneficial to the community as a whole even though the class of beneficiaries eligible to receive a direct benefit from its activities does not include all members of the community, such as indigent members of the community, providing that the class is not so small that its relief is not of benefit to the community. (Emphasis added).

A similar principle was affirmed in Rev. Rul. 56-403, 1956-2 C.B. 307, which held that awarding scholarships to members of a particular fraternity was an exempt activity within the meaning of Section 501(c)(3) of the Code. See *also* Restatement (2d) Trusts, Sections 368 and 372; IV Scott on Trusts (3rd Ed. 1967), Sections 368 and 372.2.

In General Counsel Memorandum 39612 (July 9, 1986), the IRS applied the rationale of Rev. Rul. 75-196 and the other rulings summarized above to the construction and/or renovation of educational areas in fraternity chapter houses. In this General Counsel Memorandum, the IRS concluded that grants made by a fraternity foundation to its affiliated fraternity for the construction, renovation and furnishing of designated “educational use” areas of a local chapter fraternity house were in furtherance of the foundation’s exclusively educational and charitable purposes.

The General Counsel Memorandum begins with the general rule that “by their nature, exempt educational activities serve public purposes by providing direct benefits to private parties.” The underlying theory for this rule is that providing individuals with an educational experience enhances and enriches the individual, thereby enhancing and enriching the society in which the individual functions. The General Counsel Memorandum then addresses the impact of the restrictions on the class of persons able to use the educational areas. Relying on the authorities outlined above, the IRS concluded as follows:

Thus, an educational activity may be performed in the public interest even if the members of the general public will have no or only limited access to the activity. The controlling consideration is whether the activity will cause the public to benefit so significantly that any direct benefit accruing to the limited class may be deemed incidental.

Based on the particular facts of the General Counsel Memorandum, the IRS analyzed whether the areas designated as educational produce a significant public benefit. The IRS analyzed the facts under a two-part test. The first part focused on whether the educational facilities in the chapter house benefit the entire college community by supplementing the university’s resources, alleviating overcrowding in libraries and study areas, and providing additional technical facilities, equipment and services, thereby allowing the university to direct those resources elsewhere. In other words, the IRS focused on whether there was some benefit to the public that transcended the confines of the narrow class of persons directly benefiting from the educational areas in question. The second part focused on whether a significant percentage of the entire student population lived in fraternity and sorority housing at the school. In other words, the IRS focused on whether the public benefit was sufficient enough to characterize the direct benefits flowing to chapter members as incidental.

Under the specific facts analyzed in General Counsel Memorandum 39612, the IRS concluded that any private benefit to fraternity members from the use of the educational areas was incidental to the broad public benefit derived from the operation of these facilities. It noted that the facilities, if used specifically and exclusively for educational purposes, had little social or personal value to members independent of their educational values. The IRS ruled that: “[t]hese facilities therefore serve the public interest by furthering education.” The principles set forth in GCM 39612 were the basis for a number of private letter rulings recognizing that such grant arrangements will not adversely affect a fraternity foundation’s exemption under Section

501(c)(3) of the Code. See e.g., Private Letter Rulings 95-24-032; 93-06-034; 92-19-033; 90-25-073; 90-14-061.

The type of educational facilities incorporated into the Chapter House should be similar to that provided to the general student body by the University and should relieve the University of a financial burden, supplement its resources through the provision of additional equipment and facilities, and alleviate the current use of its facilities. The Chapter House contains a Library and Study Carrels of a kind the University would otherwise supply for its general student body. Thus, the Educational Areas of the Chapter House will progressively lighten the University's financial burden to provide such facilities for students and will save money for the University in the long run because they create additional educational environments that enhance the scope of the University. Accordingly, the Educational Areas provide a benefit to the public which transcends the confines of the narrow class of students that belong to the Chapter.

Moreover, the public benefit will be sufficient enough to characterize the direct benefits flowing to the Chapter members as incidental. James Ehrmann, Greek Program Director at the University represented that approximately 11% of the University's undergraduate population belongs to fraternities or sororities and at least 30% of the undergraduate population reside in chapter houses. See Exhibit B. Thus, the reduced burden on the University's facilities and resulting benefit to the college community could be significant if the cumulative effects of the Educational Areas are considered. Moreover, the actual percentage of students using these facilities should be expected to be much higher because of the likelihood that fellow students studying together or working jointly on class projects at the facilities with a member of the Chapter. As a result, the potential for reducing the burden of providing such facilities is both substantial and significant when viewed on a cumulative basis.

In the past, the IRS has approved grants from fraternity foundations to renovate educational areas similar in nature to those of the Chapter House. For example, the following rulings have recognized that a fraternity foundation can make a grant for the construction or renovation of space in a local chapter house that is used exclusively as libraries, computer rooms and study areas: Priv. Ltr. Ruls. 95-24-032; 92-19-033; 90-25-073 and 88-23-088.

Pursuant to the Grant Agreement, each area in the Chapter House to be supported by the Grant from the Foundation will further charitable or educational purposes. The House Corporation will utilize the Grant to fund the renovation of the areas of the Chapter House used exclusively for educational purposes, other than minor social or recreational use.

The Grant Agreement also provides that the Chapter must use the Educational Areas exclusively to provide an educational experience to its members and other individuals visiting the Chapter House, other than minor social or recreational use. None of the Educational Areas will be used for anything other than the educational purposes described above other than minor social or recreational use. For example, all dining, sleeping, and fraternal activities will be limited to other spaces available in the Chapter House. Thus, these Educational Areas will be used exclusively for the instruction or training of the individual for purposes of improving or developing his or her capabilities.

The Grant Agreement ensures that all of the information necessary to satisfy the IRS's requirements for such grants will be obtained and the Grant Agreement requires both the House Corporation and Chapter to comply with the requirements set forth in the Grant Agreement. Periodic inspections will also be conducted to ensure that no part of the Grant is being used for

non-educational purposes (other than minor social or recreational use of the Educational Areas).

## **II. Control and Monitoring of Grant**

Because the Grant is being made to an organization that is not described in Section 501(c)(3) of the Code, the Foundation must retain control and discretion as to the use of the funds and maintain records establishing that the funds are used for Code Section 501(c)(3) purposes. See Rev. Rul. 68-489, 1968-2 C.B. 210.

Specifically, the IRS stated in the July guidelines and General Counsel Memorandum 39612 that the Educational Areas must constitute separate facilities that are segregated from the social facilities of a fraternity or sorority house. The Grant is therefore accompanied by architectural plans showing that all Educational Areas will be separate from the non-educational areas of the Chapter House.

Moreover, the IRS stated in General Counsel Memorandum 39612 that a fraternity foundation should monitor any grants to fund educational areas to ensure that these areas are used exclusively for educational purposes. According to the General Counsel Memorandum, this requirement is satisfied if the granting foundation and the recipient enter into an agreement containing the following provisions: (i) that the recipient will use the grants exclusively for educational purposes (except minor social or recreation use) and return any part of the grant not so used, (ii) that the recipient regularly report on the progress of the project, including a final report when the project is completed, and (iii) that the recipient will thereafter be subject to monitoring and inspection by the granting foundation. To comply with this requirement, the Foundation and the House Corporation will execute the Grant Agreement.

## **III. Pending Legislation**

We anticipate that a bill substantially similar to the bill known as the Collegiate Housing and Infrastructure Act of 2017 will be introduced in the 116th Congress. If introduced and enacted, the legislation would allow the Foundation to make grants to the House Corporation fully funding the project referenced in this letter and the Grant Agreement (except any of such costs and expenses that relate to physical fitness equipment) without such grants adversely impacting its charity status under Code Section 501(c)(3). Accordingly, if the legislation is introduced and enacted and if grants are made under the Grant Agreement after the effective date provided in the legislation, this letter and the Grant Agreement shall be read in conjunction with and be modified by such legislation, and accordingly, the Foundation, in such case, may make grants totaling up to 100% of the House Corporation's qualifying expenditures for the project (except for physical fitness equipment). All other conditions of this opinion and the Grant Agreement not affected or modified by such law shall continue to apply.

## **PART THREE: CONCLUSIONS**

Based upon the foregoing analysis, and strictly conditioned upon the assumptions and conditions described herein, it is our opinion that the proposed Grant by the Foundation, as outlined in the Grant Agreement, should not adversely affect the Foundation's tax exempt status under Section 501(c)(3) of the Code.

The assumptions and conditions referred to above and upon which this opinion is strictly conditioned, are as follows:

1. The continued maintenance by the Foundation of its current tax exempt and public charity statuses, other than as those statuses might be affected by the proposed Grant described in this letter;
2. The proper and complete execution of the Grant Agreement in the form attached hereto by all parties shown as parties to the Grant Agreement attached hereto; and
3. The strict compliance with all of the terms of the Grant Agreement attached hereto.

This letter is directed only to the Foundation and is not to be communicated to or relied upon by any other person or organization, other than ANT, without the prior written consent of this firm.

It has been a pleasure to work with you and to assist you with this project. If there are any questions about this letter or the project, please let the undersigned know.

Sincerely,

COZEN O'CONNOR

A handwritten signature in blue ink that reads "Cozen O'Connor". The signature is written in a cursive style.

CJB



**Exhibit A**  
**Grant Agreement**

## EDUCATIONAL AREA GRANT AGREEMENT

The Chi Psi Educational Trust, Inc. (hereinafter “Foundation”) agrees to make an Educational Area Grant (hereinafter “Grant”) in the amount determined below to the Alpha Nu Trust (hereinafter the “ANT”) for the renovation of certain educational areas through the renovation of a building (hereinafter “Chapter House”) used by the Alpha Nu Chapter of the Chi Psi Fraternity (hereinafter “Chapter”) and particularly described in Exhibit 1 (hereinafter “Chapter House”), subject to the following express conditions:

Sec. 1. In General. The Grant shall be used by the Chapter exclusively to fund expenses directly attributable or allocable to fulfilling the purposes specified in Section 2 below. Payments from the Grant funds may be made during renovation of the Chapter House upon the ANT’s written request to fund Building Construction Costs (as defined below), subject to the limitations specified in Section 3.1 below. The Foundation’s Grant shall take the form of cash funds.

Sec. 2. Use of Grant. The Grant shall be used exclusively for the renovation of the Educational Areas of the Chapter House.

Sec. 3. Amount of Grant. The Grant shall be an amount equal to the costs for the renovation of the Educational Areas (the “Building Construction Costs”), as summarized and calculated on Exhibit 2. The Educational Areas are identified on the floor plans of the Chapter House attached as Exhibit 3.

Sec. 4. Exclusive Use. No part of the Educational Areas shall be used for any other purpose, such as for dining, sleeping, social, recreational or fraternal purposes (except for minor social and recreational use such as a reception held in a library).

Sec. 5. Record Keeping.

Sec. 5.1 The ANT agrees to deposit all Grant funds in a separate fund and to maintain its books and records in such a way that such Grant funds will be shown separately on its books. Expenditures made in furtherance of the educational purposes specified in Sections 2 and 3 shall be documented and accounted against the Grant funds.

Sec. 5.2 If any part of the Grant funds are paid over by the ANT to the Chapter to cover any part of the expenses for which the Grant was made, as opposed to the ANT directly paying for such expenses, then the Chapter shall also maintain a separate fund to pay for such costs and such fund shall be subject to the same record keeping requirements as are applicable to the separate fund of the ANT under Section 5.1.

Sec. 6. Reports to the Foundation.

Upon completion of the renovation of the Chapter House, the ANT shall, within 90 days of such completion, provide documentation to the Foundation that the Building Construction Costs have been paid as outlined in this Grant.

Sec. 7. Monitoring of Use of Grant Proceeds.

The ANT, the Northwestern Chi Psi Educational Foundation, Inc. (the “House Corporation”) and the Chapter shall cooperate with, and provide access to the premises to, representatives of the Foundation making periodic visits and inspections to monitor the use of the Educational Areas. The ANT, the House Corporation and the Chapter shall also make their financial records freely available to the Foundation, either in connection with the inspection of its representatives or upon request.

CHI PSI EDUCATIONAL TRUST, INC.

By: \_\_\_\_\_

ALPHA NU TRUST

By: \_\_\_\_\_

ALPHA NU CHAPTER OF CHI PSI FRATERNITY,  
NORTHWESTERN CHI PSI EDUCATIONAL  
FOUNDATION, INC.

By: \_\_\_\_\_

Date of this Agreement: \_\_\_\_\_

## **Exhibit 1 Renovation Project**

The Alpha Nu Lodge was constructed in 1930-1931. It was built as the third Lodge for Alpha Nu of Chi Psi at 1515 University Avenue SE, across from the main entrance of the principle campus of the University of Minnesota, now known as the east campus, at the head of fraternity row . The Lodge is an historically registered building due to its unique look and design. The Lodge was initially remodeled and repaired in the summer of 1967 and at that time the attic space was converted into individual study carrels for the Brothers to have additional quiet and personal study space. Immediately following, the academic achievement of the Brotherhood rose as a result. The space was heated for the first time, but no additional insulation was added as heating costs then were less burdensome. The Lodge next underwent very significant repair and updating on major systems in 2007. Heating, including boiler replacement, plumbing, and electrical systems, to accommodate current needs, were redone. The kitchen was rebuilt and a fire retardant system was installed. The 4th deck study carrels were remodeled and a group study room was added along with a new heating and air conditioning system. Throughout these eighty years the original slate roof has remained without renovation or significant repair. Small flat areas of the roof have leaked for decades and have been subjected to many attempted repairs without long term success. However, the lack of insulation on the 4th deck, especially over all the built out study carrels and study room, has led to more rapid deterioration of the slate roof and dangerous falling slate and deteriorating cap stones on the masonry. Northwestern Chi Psi Educational Foundation, Inc.(NWCPEF) has been aware of these problems for over two decades, but the more rapid deterioration since the 2007 renovation has resulted in an urgent need to address the problem, especially, the development of falling pieces of slate. Therefore, in the fall of 2018 and spring of 2019 NWCPEF established a committee to investigate and propose remedy. After consultation and much deliberation a decision to replace the roof was made and the scope of the project developed.

Essentially, replacement with a new slate roof was probably required because of the historic designation. Furthermore, the 4th deck study space, now fifty years old, without adequate insulation required conversion to a hot roof. That meant substantial demolition of each study carrel, and the ceilings over the carrels as well as the dormers on the south side of the Lodge would be required to blow hundreds of pounds of insulation. Then after slate roof and gutter repair and replacement and cap stone repair, the carrels would need to be rebuilt, requiring drywall and plaster repair and repainting and carpeting. Despite the high cost it was agreed that this was the comprehensive solution that would insure the integrity of the Lodge for the next several decades. Moving rapidly forward in the late spring of 2019 would allow the project to be substantially completed in time for Fall recruitment and the start of Fall 2019 semester. Fund raising began in the fall of 2018 and continued through the winter, spring and summer of 2019. However, the need was acute and NWCPEF had no better choice than to proceed.

**Exhibit 2**  
**Building Construction Costs**

Mr. Christopher Bellini  
Cozen C'Conner  
33 South 6th Street #3800  
Minneapolis, MN 55402

Dear Chris:

As consulting architect, I have reviewed the plans drawings of the Alpha Nu Lodge at 1515 University Avenue SE on the University of Minnesota Campus and conclude the following. There are approximately 15,136 square feet in the building including the basement level, recreation areas and storage; 1st deck, kitchen, dining room, living room and foyer; 2nd deck, library and living and study spaces; 3rd deck living and study spaces; and 4th deck, attic space converted into individual study carrels and group study space. Strictly educational space is approximately 4380 square feet calculated as follows:

4th deck is approximately 3037 square feet; library is 305 square feet, 2nd deck suite study room is 144 square feet, twenty percent of the 2nd deck rooms is 233 square feet (.20x1114 square feet); 3rd deck presidential suite study room is 140 square feet, 3rd deck suite study room is 132 square feet, twenty percent of the third deck rooms is 241 square feet (.20x1205 square feet) and the main and back stairways to the 4th deck are 98 and 60 square feet respectively. This total of 4380 square feet is 27.8 percent of the Lodge building.

There are other architectural methods of considering roofing percentages than overall building square feet. I have consulted with the Allstar Roofing, the roofing contractor. They believe and have calculated that since the roof is sloping, about 60 percent of the total roof is over the educational space and could be considered an educational space expense.

In order to accomplish replacing the Lodge roofing there are other aspects of this project that are mostly attributable to the primary educational facilities in the Lodge. Conversion from attic space to study space now requires conversion from uninsulated attic space to a hot roof, requires extensive demolition of the carrels and expensive blown insulation into previously uninsulated spaces. I have conferred with Mike Timmons, acting as the general contractor, and agree that these expenses are 80 percent attributable to the educational needs of the Lodge. Replacing and repairing drywall and plastering and painting are 70 percent attributable to the educational needs of the Lodge. In addition, the 4th deck has a separate heating and cooling system and repair and updating as well as carpet and furniture replacement are 100 percent attributable to the educational needs of the Lodge,

To date costs incurred and estimated are as follows:

1. Roofing replacement and roof masonry repair \$378,426.00  
multiplied by 27.8 percent is \$105,202.43

5100 edina industrial blvd  
suite #201  
edina, mn 55439

tel 952.426.1932

2. Demolition, insulation and plaster repair \$10,000.00 plus \$74,462.00 plus \$5000.00 multiplied by 80 percent is \$71,569.60 (.80x\$89,462.000)
3. General contractor costs, drywall and painting \$12001.00 plus \$41,033.00 multiplied by 70 percent is \$37,123.80 (.70x\$53,034.00)
4. Carpet, furniture and HVAC \$8042.00 plus \$25,000.00 multiplied by 100 percent is \$33,042.00.

These amounts total \$246,937.83.

I can therefore conclude that based on the most conservative methods the directly Educational costs incurred and anticipated for the Alpha Nu Lodge roofing and repair project undertaken amount to \$246,937.83.

Dan Ahlberg and I met on Monday, September 30, 2019 and I have given him copies of the Lodge plans to provide with this report.

If I can answer any other architectural questions, please get in touch.

Yours sincerely,  
Kurt Baum



5100 edina industrial blvd  
suite #201  
edina, mn 55439

tel 952.426.1932



**Exhibit 3**  
**Floor Plans**

**Exhibit B**  
**University Letter**

# UNIVERSITY OF MINNESOTA

*Twin Cities Campus*

*Office for Student Affairs*

*109 Appleby Hall  
128 Pleasant Street S.E.  
Minneapolis, MN 55455*

*612-626-1242  
Fax: 612-626-6214  
<http://www.osa.umn.edu>*

October 3, 2019

Northwestern Chi Psi Educational Foundation, Inc.

Gentlemen,

Our office understands that the Northwestern Chi Psi Educational Foundation is engaged in a housing project to remodel and enhance the housing it provides for the members of the Nu Chapter of Chi Psi Fraternity. We also understand that your Foundation plans to make a grant to the House Corporation to fund certain expenses incurred in connection with the educational spaces in the house, prompting your request of this letter of support.

Based on our understanding, we acknowledge, as a matter of policy and on behalf of the University of Minnesota, the following:

The University of Minnesota is committed to providing facilities for individual and group study, library facilities, and/or educational equipment (including the provision of computers and internet access in the University residence halls and other buildings) to students living both on and off campus. The educational facilities at the Chi Psi chapter facility, including study rooms, library facilities, and/or specialized areas, such as computer rooms and house-wide computer and internet access, drafting rooms, laboratories or other instructional areas, are similar in nature to those provided by the University for the education of the general study body. As a result, the provision of these additional facilities will:

- 1) Relieve the University of the burden of providing such facilities to students who are members of the chapter,
- 2) Supplement the resources of the University by providing additional equipment and facilities; and
- 3) Alleviate the current use of the University's existing facilities by providing an alternative source for members of the fraternity and their guests.

We also can confirm that approximately 11% of our undergraduate student population belongs to a fraternity or sorority, and approximately 30% of our undergraduate student population resides in an off-campus fraternity or sorority house.

Sincerely,



James J Ehrmann

Program Director

Office for Fraternity & Sorority Life

[jehrmann@umn.edu](mailto:jehrmann@umn.edu) //612-626-5212