005-F

Antioch University
Investment Committee Minutes
Yellow Springs, Ohio
October 17, 2002

Present: Niels Lyster, Chair; Larry Stone; Jeff Kasch; Pegene McPhaden; Everette Freeman; Peter Temes; Rosalie Sturtevant; Glenn Watts; and David Weaver

Guests: Phil Shaffer and Jennifer Kossow of The Consulting Group

The meeting convened at 3:45 pm.

Phil Shaffer of the Salomon Smith Barney Consulting Group gave a review of the stock market conditions, noting that equities had experienced one of the 10 worst quarters since 1946. The current situation includes corporate uncertainty that is delaying capital expenditures and skepticism about earnings reports that is contributing to a slow recovery. Earnings, thought, are actually in a recovery and the market is seeing EPS improvements. Irrational exuberance seems to be over. Questions from trustees concerning the international market led Phil to suggest a future presentation on our managers' international investing strategy, while remarking that as the economy recovers, so will the international market.

Jennifer Kossow reviewed Antioch's portfolio, which is severely down in this bear market, even though it has outperformed the benchmarks. As instructed at the last special Investment Committee meeting, The Consulting Group has terminated the two large cap growth managers, Cohen, Klingenstein and Marks and Roxbury, and is in the process of transferring the assets to new money managers Baird, Friess Associates (Brandywine Blue Fund) and TCW Group. She then concentrated on explaining the suggested allocation adjustments between investment classes.

The Investment Committee has discussed and studied hedge funds at several previous meetings and generally concluded that it would be appropriate and prudent to invest a small portion of the portfolio in these vehicles. Accordingly, a resolution was presented to make a 5% allocation to K-2 Investors, a fund-of-fund hedge fund manager. This move requires an amendment to the existing Investment Policy. A resolution was presented to change the policy to allow only K-2 to invest in hedge funds. Moved by Jeff Kasch, seconded by Larry Stone, all approved.

It was decided to vote on the change in allocation after the issue was presented to the full board. This was done on Saturday, October 19. All approved. The Consulting Group was then instructed to proceed in adjusting the allocation of the portfolio in accord with the presented schedule that included the 5% allocation to hedge funds.

The meeting was adjourned at 4:45 pm.

065-6

Physical Facilities Committee

Minutes October 2002 Board Meeting

Present: Bruce Bedford, Bill Hooper, Peggy McPhaden, Peter Ostrander, Larry Stone

Also Present: Jim Craiglow, Joan Straumanis, Peter Temes, David Weaver

Unable to attend: Chet Atkins, Sandra Deming, Leo Drey, Dianne Fraser

Grinnell Mill: Hooper reported that Jim Hammond, the prospective leaser, has received approval from the Health Department and the Building Inspection Department of Greene County to proceed with the proposed renovation. He is working with a restoration architect and the work on the exterior of the structure will be as close to the original as possible. We have received a draft of the lease from the University's attorneys and it needs to be reviewed by Glenn Watts and Hooper.

Antioch New England: Peter Temes reported that ANE is seeking to finish out 5000 square feet of space that is currently used for storage. The improvements will provide classrooms for the MC@ School, funding is being raised from outside sources. Details for this work are attached to these minutes. The Finance Committee approved a resolution supporting this project and Physical Facilities supported it without decent.

The Golf Course: A copy of the Golf Course Task Force was made available to the Committee and they approved the resolution supporting the work without decent. It had been reviewed by Joan Straumanis.

Santa Barbara: Bruce Bedford enquired about the status of the Santa Barbara lease. There was no information available for us and he suggested the question should be addressed at the February Meeting.

Mold in College Dorms: Joan Straumanis said that elimination of all mold was underway, but getting a clean bill of health is proving to be difficult. While the top floor of Spalt has tested clear, the balance of the building had not passed its most recent test. She said that the areas that were not totally clear of mold would not be occupied until all testing showed them completely free of mold.

Birch III: The Committee discussed the 20 plus acres of undeveloped land at the South edge of the Village. There is access to this parcel from both Glen View and Southview Drives. The property is within the village and there is access to both sewer and water. The University would like to sell the land. Peter Ostrander will see if he can make some progress towards that end.

Signage: Joan Straumanis reported that Andco Industries had donated their design services for new signs and maps for all the principal University buildings. The College class of 1953 is working to raise the funds to pay for the signs and maps. The quoted cost is $46,000 dollars. The Physical Facilities approved a resolution for funding not to exceed $50,000 and passed it on to Finance for their approval.

Fact Set Regarding the build-out of unimproved space at Antioch New England Graduate School for the MC2 School

Prepared by Peter Temes, 10/17/02

The proposed build-out is of roughly 5,000 square feet of space in our main building, now used for storage.

A proposal from the builder who executed the gut renovation of the factory that became our current home has a proposal on the table, and permits in hand, to execute the build-out for under $290,000.

$135,000 has been raised in pledges toward the cost of the renovation, payable over five years, weighted toward the first three years, with the first $50,000 due in hand February 2003.

Antioch New England is a principal in a five-year, $10.8 million grant from the U.S. Department of Education to support a school-choice program that includes the MC2 School, but no funds for capital costs.

Roughly $1.6 million of that total grant will include salaries paid through ANE, thereby generating $160,000 in overhead costs paid to ANE (in addition to over $1 million in overhead payable to the Antioch New England Institute for line-items in the grant, out of a total of $3,185,000 that Antioch is approved to receive through the grand. That total includes roughly $2 million in direct ANE programs, and $1 million in programs run by ANEI on behalf of other parties to the grant).

The total of the money raised in pledges to date plus the 10% overhead on salaries that ANE will absorb will cover roughly $280,000 of the total build-out cost.

The grant includes roughly $59,000 in rent expenses for the grant project over five years. That money is committed 100% to ANE, and the build-out space has been designated as the headquarters of the grant project.

To finance this project through the builder over five years, we anticipate financing costs below $59,000 for that five-year period.

Thus, we come within ten thousand dollars of paying for the entire renovation through third parties, we can cover the cost of financing over five years through the rent payments, and the benefits of the built out space accrue to Antioch New England past the five-year term of the grant. (The MC2 School intends to relocate to larger space in year three of the grant).

I seek the support of the Board of Trustees to sign the contract with the builder for total cost of the renovation below $290,000, with cost of financing over five years below $59,000.

PT

005-H

Trusteeship Committee Meeting
Yellow Springs
October 16, 2002 - 2:30-5:45PM
Present: Jack Merselis, Art Zucker, Bill Hooper, Jeff Kasch, Dan Kaplan, Barbara Winslow (by phone), Lois Mann, and Leslie Johnson (minutes)
Absent: Chet Atkins, Sandra Deming, and Reuben Harris

This meeting was scheduled for the day before the Board meeting to enable lengthy discussion of issues before the committee.

Art welcomed everyone to the meeting and reviewed the agenda.

Exit interview status.
In order to have an effective process, Art stated that we need to set a time limit on when the interviews would take place and have objective data to summarize. He suggested that we also be respectful of Reuben Harris' suggestions from the previous conference call (Reuben had emphasized that this is a sensitive process, that it is relationship-based and that the person chosen to conduct the exit interview have a good relationship with that trustee).

Barbara Winslow questioned how you could have objective data. She suggested that we need a better understanding of the board's strengths and weaknesses, how the board operates and how to continue the relationship with the trustee who leaves. We want to send the message that their work was valuable.

It was agreed that all interviewees would be asked to answer the same questions in an effort to gain objectivity. Bill suggested that we find a way to regularly communicate with Board members after they leave. One method might be to ask them if they want to continue their relationship, and how that would occur. Jack suggested to use the Chancellor's newsletter.

Art suggested a mini task force to conduct the interviews, share the data and draw conclusions with the committee, and report to the Board. The task force is: Jeff – Monica Weston, Lillian Lovelace, Laressa Crockett, Peggy McPhaden; Jack – Jessica Lipnack, Tom Kershner; Art – Betty Fuchs, Bob Krinsky, Jim McDonald.

Assess current Board profile.
Lois handed out 2 matrices for current trustees (see attached).
All the categories of the data were discussed. In response to a question, Lois explained that the giving range was her best estimate – based on previous giving, current giving, pledges and judgment. It was pointed out that the geographic distribution of trustees does not represent where our alumni and campuses are. There was general agreement that we needed to direct our new trustee recruitment efforts to re-balance the board by focusing on giving, gender and race.

Responding to the comment that we needed more young people on the Board, Dan pointed out that younger people are busy making a living and pursuing careers. Lois stated that 5 current trustees are from the 70's, a crucial time in Antioch's history and very important to have on our Board now. Jeff stated that the three W's (wealth, wisdom and work) are the key desired attributes of trustees.

Retention.
Art raised the subject of retention, questioning: Why do we lose people? What can we do with our new members to keep them? Dan observed that we've had a large turnover in the last 24 months. There have been circumstances: 2 deaths (Palmer, Epstein); some felt their voices were not heard. Jack commented that there's been instability in the institution; that new people need an anchor, ways to feel constructively involved. Dan said that no one called each new member after their first meeting. At Jack's suggestion this will be added to the Board Buddy process. Lois expressed that there may be a common denominator, but there are also reasons unique to an individual. Some examples were cited – we've lost four women – perhaps they felt they weren't heard. For one member, it became too expensive to stay on the Board. Jeff stated that the exit interviews would tell us if we've failed; and how.

Art mentioned the committee assignment process; asking should there be more to the process than just the Board Chair. Dan answered that most trustees (~90%) got their first choice; noting that Executive and Trusteeship are not offered as a choice. Several suggestions came forth – asking the chair of the committee who they'd like on their committee, providing guidelines to committee chairs, and providing past documents of the committee activities.

Identify new prospective members.
The current matrix of prospective trustees was reviewed and updated. Dan stated that we should continue the process regarding Lou Feldstein, and not wait until June 2003. Art expressed concern that had been voiced by a trustee about the practice of voting for new Board members on phone conference calls – that trustees feel rushed and don't have full debate. Every effort will be made to have the voting take place at the June Board meeting, with new trustees starting the following Oct. Further discussion ensued regarding sources for new prospects. Jeff suggested the Horace Mann Society list; and Lois added that the 101 top prospects for the campaign would help to focus on adding trustees with strong giving capabilities.

There followed a discussion about those trustees whose terms are up and to determine those willing to re-up for another term. Lois and Leslie will provide this information in time for the next meeting. Dan suggested setting a goal to bring 4-5 candidates for the Board to review at the June meeting. In order to do so, the process of selection needs to begin right away. In Art's report to the Board this week, he will describe the need to re-balance the Board makeup with emphasis on giving, gender and race. Based on successes of the past, Art will also ask the Presidents for their recommendations.

Leadership development/succession planning.

There was considerable discussion about techniques to be used for leadership development. Dan recommended that all committee chairs should be thinking of and planning for their successors. Although chairs are appointed for one year, they usually serve for two or three years – therefore succession planning should be expected. It was also mentioned that leadership development should be considered when chairs are appointed. Barbara suggested that as we think about assigning sub-committees, we can assign chairs as a training ground for future leaders. There was optimism that the upcoming AGB Workshops would also provide some direction in these matters.

Jeff suggested a review of protocols regarding the agenda; such that if it is not on the agenda, then a vote shouldn't be allowed.

Due to the time, 5:45PM, the meeting was adjourned.

Respectfully submitted,
Leslie B. Johnson
Leslie Bates Johnson
Assistant Secretary

Art Zucker
Arthur J. Zucker
Secretary

005-T

Trusteeship Committee Meeting
October 18, 2002 – 5:10-5:40PM
Present: Jack Merselis, Art Zucker, Bill Hooper, Jeff Kasch, Dan Kaplan, Reuben Harris, Barbara Winslow (by phone), Lois Mann, David Weaver, and Leslie Johnson (minutes)
Absent: Chet Atkins, Sandra Deming

E-mail Policy
Art Zucker opened the meeting and asked David Weaver to read Resolution 10.19.02:11 which concerns the E-mail policy (regarding information forwarded or communicated to and among Trustees and Officers). With a policy in place, violations could be addressed. There was a discussion about the policy and to what extent we need to protect what is written in an e-mail. Since it's practically impossible to eliminate e-mails permanently, the philosophy of the group was not to write anything that would later be regrettable.

RESOLUTION 10.19.02:11 (Kaplan/Hooper)
RESOLVED, that upon the recommendation of the Trusteeship Committee, the Board hereby approves the Trustee e-mail policy as presented at this meeting.
Passed unanimously.

Teleconference Meetings/Participating by Phone in a Board Meeting
Telephone conferencing has been permitted under Ohio law for years and we have conducted many meetings in that manner (several meetings have been conducted where all members participated by phone, a lesser number have been conducted where one or two trustees have called into a meeting at which most trustees were physically in attendance). The discussion was about the pros and cons of people participating by phone, and whether the Committee wants to recommend restricting that legal right in the by-laws. David Weaver will draft a by-law amendment for consideration at the February meeting when the Board will debate the pros and cons, something which may or may not lead to policy development. The Committee was in favor of a policy where a Trustee cannot vote by phone at a one of the three regularly scheduled Board meetings (where Trustees are expected to be physically present). The policy would provide for emergency meetings of the Board where it might be difficult to establish a quorum without allowing for phone participation.

There being no time remaining for further discussion , the meeting was adjourned at 5:40PM.

Respectfully submitted,
Leslie B. Johnson
Leslie Bates Johnson
Assistant Secretary

Art Zucker
Arthur J. Zucker
Secretary