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Antioch University
Investment Committee Minutes
Conference Call
August 29, 2001
11:00 AM EST

Present: Niels Lyster, chair; Bruce Bedford; Jim Robinson, Jim McDonald; Glenn Watts; and Rosalie Sturtevant

The Committee met to consider two items:

1. Initial discussion of possible changes in/expansion of our investment diversification model, as well as possible addition(s) of investment managers.
2. Discussion of the current Board of Trustees policy governing the annual distribution to the College of 5% of the endowment fund. Current policy distributes 5% of a rolling three-year average of the endowment's value (calendar basis). For the 2001/2002 budget year, the formula used the value of the endowment on December 31 of CY1998, 1999 and 2000.

N.B. It goes without saying this discussion came about as a result of the Drey gift as well as the expectation of additional sizeable lead gifts in the near term.

Based on our current distribution policy, the Drey gift will not impact the College with additional distributions until the budget year 2002/2003 when the Drey fund will be factored in as part of the three-year rolling average as part of the calendar 2001 amount.

The Committee's discussions also covered issues such as a) how large a gift must be to warrant special consideration, b) should smaller gifts be combined to reach a consideration threshold, c) how long should a gift be held in the endowment to make it eligible for special consideration, i.e. should a gift given on the last day of a year rate the same consideration as one given on the first day, and d) if a gift is to be factored in, what should the factoring formula be in order to ensure that the adjusted allocation not be larger than the "regular" distribution in the following year.

The Committee agreed that Smith Barney be instructed to give a report at the forthcoming October 2001 Committee meeting with recommendations as to the possibilities of more diversification in the number of investment managers as well as in our endowment investment mix. Glenn Watts and Rosalie Sturtevant will follow-up with Smith Barney.

After much discussion weighing the pros and cons of a special distribution to the College in fiscal 2001/2002 because of the Drey gift, the Committee concluded that there be no change in our current policy of distributing 5% of the endowment fund.

However, it was the decision of the Committee to recommend to the Board of Trustees at the October 2001 meeting that the rolling three-year average be switched to a rolling twelve-quarter average, making the basis for the 5% distribution more current and sensitive to changes in the value of the endowment fund, whether by gift or shifts in market conditions. It was also the Committee's recommendation that this change to rolling twelve-quarters become effective retroactive to October 1, 2001.

Further, and at the suggestion of Jim McDonald, the Committee will review at a later date (probably in the spring of 2002) how the endowment fund is performing with a view to the possibility of making a "special, one-time only" additional distribution to the College in fiscal 2001/2002.