011-E

Confidential to members of the Antioch University Board of Trustees

Minutes of the Executive Committee of the Antioch Board of Trustees
October 1, 2001, at Avon, CT
This meeting was originally scheduled for September 12, 2001, in New York City.

Present: Bruce Bedford, Jim Hall, Dan Kaplan, Bob Krinsky, Jim McDonald, Jack Merselis, Barbara Winslow. By telephone: Lillian Lovelace, Judy Palmer.

1. Jack Merselis went over the agenda:
   a. Approval of Minutes
   b. Establish goals for the meeting
      i. Information on operations, finance, planning
      ii. Prioritize issues and needed interventions
      iii. Prepare actions plans to address key areas of concern
      iv. Develop agenda for Board meeting October 18-20
   c. Discussions:
      i. Operations Bruce B, Jim H
      ii. Finance/Stabilization Jim McD
      iii. AULA campus development Bruce B. Jim McD
      iv. Management Transition/Searches – Bob K, Bruce B, Jack M
      v. Future of Antioch Committee Bruce B, Jack M
      vi. Capital Campaign Bob K, Dan K
   d. Interview – Joan Straumanis (meeting as Management Transition Committee)
   e. Conference Call – AULA campus development
   f. By Laws – proposed revisions
   g. Plan agenda for Oct. 18-20 board meeting
   h. Communications with Board and ULC

2. Bruce Bedford reported on current operations:
   a. The College had a total of 190-195 new students enter for the fall. This is below projections. The shortfall, coupled with more tuition discounts than had been budgeted, has resulted in a negative impact on the College budget of $600k.
   b. The other campuses are generally doing ok on their budgets.
   c. At the College, Bob Devine has notified his staff and faculty that he is taking a sick leave. Also, Scott Warren, Dean of Students, is apparently asking to return to the faculty in the end of the year.
   d. The Capital Campaign has received a gift of $10 million from Leo Drey.

3. Jim McDonald reported on the work of the Financial Stabilization Committee:
    a. In '00-'01 the University had a loss of $1.5 million. When compared with a surplus of $500k in the previous year, this represents a negative swing of $ 2 million.
    b. The current position for this year is a risk of a loss of $4.4 million plus a possible $1.2 million write-down of the endowment.
        i. Budgeted loss of $1,250,000
        ii. College shortfall 600,000
        iii. Development shortfall 950,000
        iv. Unbudgeted expenses 700,000
        v. Endowment 900,000
    c. The University risks violating covenants on two bond issues
    d. Deferred maintenance is a serious issue
    e. There is a leadership vacuum
    f. Our mission is cloudy
    g. Competition is tough
    h. The committee is scheduled to meet on Tuesday, October 2, at Hartford Airport

4. Jim Hall reported:
    a. The budgetary problems at the College are the current principal difficulty. These have a destabilizing impact on the entire university.
    b. We need to recognize that 800 students cannot be met now. We need to recalibrate the budget to respond to the current numbers of 550-600.
    c. The current administration of the College is unable to reduce the expenditure rate.
    d. Jim made a proposal that there be a formal recognition of the budgetary situation and that a committee be formed of Bruce, Glen, Jim, and possibly Jim McDonald, working with Hassan Nejad and Barbara Stewart, to create a plan for the Executive Committee by late December. The plan would have a 3-year plan in which the budget is adjusted and might include: curriculum revisions, reductions in staff and faculty, keeping the hiring freeze in place, affirming that subsidies will continue. To get this going, we do not need an interim president right now.

Assumptions

I. Enrollment and revenue shortfall at Antioch College are the principal issues in achieving a balanced budget. All have worked hard to realize the projected 800 student target. However, the fiscal situation of Antioch University can no longer handle deficit spending beyond the planned and approved level of subsidy to the

II. College. The current internal and external budget pressures threaten to destabilize the whole. Although we should retain the goal of 800 students and press hard to recruit and admit classes that move us toward that goal, we must now adjust our annual budget assumptions to support an institution of around 600 to 650 students.

III. Current admin of college has been unwilling or unable to reduce the expense level to balance the budget. There are important reasons for this that which need to be kept closely in mind. But we are now against a wall and cannot avoid taking action. The College is now at risk - along with the entire university. Good stewardship requires that we act now.

IV. With President Devine on sick leave from his faculty position and an expected resignation from the presidency, Vice President Hassan Nejad will act temporarily as chief operating officer, reporting to Chancellor.

Recommended Policy & Strategy Actions

I. Recognize severity of budget situation and direct Chancellor, Exec. Vice Chair, and Vice Chancellor to deal with it (Committee of 4 plus Nejad and Faculty committee). Chancellor to work directly with campus leadership and faculty.

II. Submit a plan to Board for approval by December:
   i. Drawing on findings and recommendations of the Stabilization Project and the Finance Committee
   ii. Consult on broad issues and outlines with AdCil or some yet-to-be formed campus program and budget planning group
   iii. Consult with Tom Clough

III. The Plan must be program driven, not budget driven, with the following features:
   i. Should be implemented over a two to three year period, achieving an actual balance in year 3 (with the university subsidy)
   ii. Revise curriculum, staffing to reflect a college of about 650 students
   iii. Continue the university subsidy at established level. Provide two years of special commitments (transitional) from accrued endowment earnings or other sources to support and implement plan.

IV. Initiate but do not announce capital campaign. Raise (commit) funds to support campaign costs and recruitment.

V. Bring in Interim President by January 1 if possible. Chancellor has 3 months to move planning forward.

VI. End current controls on hiring when the budget and staffing plan is approved.

5. Acting as the Management Transition Committee, the Executive Committee was joined at noon by Reuben Harris and, by phone, Sandra Deming and Jessica Lipnack for an interview with Dr. Joan Straumanis. Following the interview, the Management Transition Committee voted to go forward with the process with Dr. Straumanis and to invite her to visit Yellow Springs.

6. The Executive Committee discussed Bob Devine's situation and sick leave. The Committee voted unanimously to accept Bob Devine's resignation as College President, and appointed Jim Hall as Acting President. *(See resolutions following these minutes.)*

7. The committee then had a conference call regarding the Educational Village project in Los Angeles. David Weaver, Glen Watts, and Mark Schulman joined the meeting on the telephone. Bruce explained that despite numerous meetings key elements of the proposed relationship had not changed. Antioch would loan the Educational Village $1.7 million and would enter into a 30-year lease. The committee voted unanimously to reject the current proposal and instructed David Weaver to counter-propose an arrangement with the Educational Village which did not include a loan or up-front cash provision. This would be a lease of space built to our specifications. This also passed unanimously.

8. Dan Kaplan reported on the Capital Campaign progress. Bob Krinsky, Dan, Lois Mann and Gail Gregory from Ketchum with Lillian on the phone. Members of a proposed Steering Committee have been identified, as well as meeting dates and locations for the Steering Committee and a job description for the Steering Committee. The Steering Committee proposed membership is: Bob and Lillian, co-chairs, Ken Ball, Lee Morgan, Amy Chappell, Paul Graham, Reuben Harris, Barbara Winslow. The first meeting of the Steering Committee will be held at the October Board meeting.

   Dan reported that some of the funds to cover the cost of Ketchum are coming from a matching gift from the P-L foundation of $500k. The matches are to come from gifts made by Board members. Dan also reported that the impact of September 11 and the markets is unknown at this time. Frank and Gail from Ketchum will attend the Board meeting so that we can hear from them their thoughts about the impact on the Campaign.

9. Bruce reported on the Future of Antioch committee. He reported that the committee needs to define its process and who is included.

10. The Executive Committee reviewed proposed changes to the By Laws which would were relatively minor and would serve to integrate changes proposed by the Ad Hoc committee and approved by the Board's June meeting in Keene. These changes will be distributed to the full Board for their consideration.

11. The Exec Committee reviewed and approved the Agenda for the October Board meeting in Yellow Springs.

Respectfully submitted by Dan Kaplan for Barbara Winslow.

Dan Kaplan / Barbara Winslow/llj