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Antioch University
Investment Committee Minutes
June 1, 2001

The Investment Sub-Committee of the Antioch University Board of Trustees met on Friday, June 1, 2001. Present were Sub-Committee members Bruce Bedford and Niels Lyster, Antioch University CFO Glenn Watts and Controller Rosalie Sturtevant, Trustees Arthur Zucker, Jeffrey Kasch and Judy Palmer, and Jennifer Kossow of Smith Barney.

Ms Kossow gave an update of the status of Antioch's endowment portfolio investments, including a review of the market climate. This review revealed that all recent indices were down over the past year, except for bonds. The worst of the decline may be over and the past two months looked promising. All in all, Antioch's portfolio has held up pretty well during these trying times, principally due to our strategy of diversification and sticking to the agreed upon allocation of investments. While the market value of our portfolio has declined over the past year, our performance has been better than that for the overall market.

For the current quarter, Antioch's accounts were down 6.59%, compared to the minus 11.86% for the S&P 500 Index and the minus 12.16% for the Russell 3000 Index. Since inception (May, 1999) of the current investment policy, Antioch's portfolio is up 1.08% while the S&P is down 4.97% and the Russell 3000 is down 4.05%. As of the end of May, 2001, the invested endowment stood at $14.5 million; adding the $4.8 million of YSI stock and $0.15 million of Morris Bean stock gives a total of about $19.5 million - which represents quite an improvement from the amount we started with 2 years ago. The increased value of the YSI stock holdings represents the result of a new stock appraisal and evaluation, from $63/64 per share to $85/86 per share. It is important to keep in mind that this increase is literally a "paper" appreciation since there is little or no public market for the stock of this privately held company, and Antioch is still unable to divest itself of this holding for more liquid assets.

There was some discussion of possible changes in fund managers - possibly adding an international growth manager - but it was decided to hold off on any decisions for changes until the inflow of possible gifts from the capital campaign started to materialize. In line with this, the Sub-Committee will also hold off on rebalancing the portfolio for the moment and will distribute new gifts among the current fund managers using the agreed upon guidelines.

Glenn Watts reported on the current situation at Vernay (Antioch has some minor stock holdings in this privately held company). After the prolonged, ongoing battles in court over alleged pollution of ground water, they are facing financial difficulties and will either halve or suspend any dividend this year.

Antioch exercised its option to sell back to Morris Bean our 7226 share holding during a recent tender offer window. The proceeds from this sale will be invested in accordance with the Sub-Committee's guidelines.

Bruce Bedford (who is currently a member of the board at YSI) gave an update on YSI. YSI is having their best year ever (sales in excess of $50 million) and have reported a substantial increase in their share valuation (see above). However, in view of certain changes which seem to be on the offing with their management (retirements), the possible re-organization of their business plan - looking to more growth (an office in the PRC), and a cutback in environmental spending, YSI foresees an increased demand for cash. All of this means that essentially, Antioch will not be able to convert, in the near term, any large portions of our YSI holdings into cash.

There also was discussion regarding the draft policy for gift acceptances; a new, updated version is in process and should be available this fall.

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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.