Arthur J. Zucker

Opening Statement

July 19, 2007

Chancellor Toni Murdock and I appreciate the opportunity to speak with you this evening. The past 45 days have been very difficult and challenging for Antioch College and its many constituents. The Board's decision to suspend operations at the College will be remembered throughout her illustrious history.

We are very sensitive to the obvious economic impact it will have on the Yellow Springs Village. Re-opening the College will require the cooperation and assistance of the Village and its residents.

This was one of the most difficult decisions many of us have been forced to make in our personal and professional lives. That decision has been met with some acceptance; and with much resentment. I understand and appreciate both reactions very well.

We are pleased to have the opportunity to join you this evening to explain what was done, how and why. But first, I have one request: Members of this Board have deep, compelling reasons for having joined this governance body and contributing to the leadership of Antioch: Many of us have spent the formative years of our lives on this campus, remain closely connected since graduation, are loyal donors, and care deeply – *deeply* – about Antioch. I am dismayed by the personal attacks aimed at Board members and would ask that we return to a more civil discussion.

I am asking that all Antiochans, from faculty and students to graduates and supporters, come together as a family, as we have done so many times before, to help us develop a plan to resume the operations of the campus at the earliest possible date. When that day comes, Antioch College will re-emerge as one of the nation's most innovative, progressive institutions, from its dramatically strengthened infrastructure to its revamped curriculum and, as always, very close ties to this most important community.

While the Board of Trustees declared financial exigency for Antioch College on June 9, 2007, that decision actually goes back many months, years and even decades. Each of you knows the College never rebounded from the difficult student strike of a generation ago. Since then, the enrollment has steadily dropped. With each passing year, the financial model of Antioch became more difficult to sustain.

You are well aware that the declining full time enrollment, the lifeblood of Antioch, has been on a sharp decline for a generation. Since 2000-01, the number of matriculating students has fallen from around 600 to a projected 300 for 2007-08. For a number of reasons, fund-raising has also not met expectations. Over the last seven years, the College has raised $42 million; over half of which was designated to cover operating deficits.

The College has been operating at a loss for many years. From 1995 to 2005 we experienced deficits every year. These were offset by reserves from the other five campuses, budget cuts and private support. For the year 2006-07 the deficit was $5.4 million, and for the 2007-08 operating year, we projected a deficit of $5.3 million. These budgets will be balanced by a $10 million gift from a donor who agreed to re-direct the gift from the endowment to cover operating deficits in implementing the plan. The university management team estimated the cash deficit at the College would exceed $5.6 million for the 2008-09 fiscal year had operations not been suspended – a level the university could not have absorbed and which would have jeopardized its future.

By not acting promptly, it was clear that, in 18 months time, Antioch University would not be able to pay the salaries of faculty, staff or administration at any of our campuses, and there was the high probability that the assets of the University would be turned over to creditors.

Conversely, since the early 1990s, Antioch's five other campuses have directly contributed $740,000 per year as an income stream toward the operational expenses of the College. In addition, during that time almost $7 million in reserves from the other campuses have been used to balance the College budget and finance its 1990s capital campaign. All together, the current support to the College by the other five campuses is approximately $1.5 million annually since the College does not contribute to management operations of the university. This is a business model that simply cannot be sustained.

In November 2006, the Board reviewed the cash flow challenges and it was clear that the financial situation was becoming increasingly more perilous.

The Board directed the Chancellor to study the matter in much further detail, to consider what actions could take place to correct the condition, and to report back to the Board at the February meeting. An *ad hoc* committee was formed, consisting of Trustees and senior management, who worked on the effort between November and the end of January.

At the Board's meeting in early February, the Chancellor provided the trustees with a report summarizing the work of the *ad hoc* committee. Considering that the financial condition was still quite perilous, the Board then directed the Chancellor to continue the in-depth studies and provide options and recommendations to the Board at its June meeting. The Board further suggested that a consultant with financial "work-out" expertise be engaged to provide verification and assistance with the situation.

In March, after considering several firms, Chancellor Murdock hired Porter, Wright, Morris & Arthur, a Columbus-based law firm with national expertise in institutional financial matters. After an in-depth review by Porter, Wright they strongly recommended bringing in a second firm, Gateway, which has been used by banking organizations to evaluate the financial condition of higher education institutions. Both firms were asked to objectively analyze the financial condition of the College and to work in conjunction with our management in developing options for getting back on a sustainable financial footing.

In late March, during a conference call, the Board reviewed the information we had at the time and it was clear that the viable options were few, particularly in light of the dismal projections for fall FTE enrollment. What we discussed focused on the aforementioned deficits that now threatened the existence of the university. The private support that had sustained us the previous few years had ended, and enrollment numbers did not meet the forecast. Contributions from the other Antioch campuses have been increasingly difficult for those institutions. This business model, as mentioned, was simply no longer sustainable.

In April, the Chancellor convened a group comprised of college administrators and a financial team. They met for three days to review the financial reports and determine options the Board would consider at its June meeting.

Both Porter Wright and Gateway validated and confirmed Antioch management's findings.

The June 2007 BOT meeting was devoted almost entirely to the financial condition of the College. After months and months of deliberations, hundreds and hundreds of hours of analysis by our senior staff, two outside expert consulting firms, and members of the Board's Finance Committee, we were left with no other viable option. We also believed strongly that if we were going to suspend operations, we had a moral obligation to notify faculty, staff and students 12 months before the suspension was to take place. After thorough discussion, suspending operation at the College was the course recommended to the Board by the University management team.

Again, this was one of the most difficult personal and professional decisions our Board members have been forced to make. The Trustees love Antioch. We had to make this decision when we made it, or we would lose the entire University and thereby relinquish any hope of <u>ever</u> re-opening the College. There was no other viable option.