

Appendix F

Memo, Re: McGregor Bond

By Brian Springer

In 2006 Antioch University fully executed a \$14,000,000 revenue-producing bond from the State of Ohio Higher Educational Facility Commission to build a new campus in Yellow Springs for Antioch University McGregor called Campus West. The Bond states that is "being offered primarily on the basis of the financial strength of the Bank and on the basis of the financial strength of the University or other security" (1). The University was securing the bond based on either its "financial strength or other security" In Terms of the University's "financial strength," the University was experiencing a "drastic" situation and financial "difficulty" at the time the Bond was fully executed by the spending of the bond funds (2).

The vast majority of the University's "other security" would have been the College's endowment, land, and buildings. These assets were restricted for use at Antioch College so these assets could NOT have been used to secure the Bond without violating donor restrictions, because nearly 90% of the bond funds were for the construction Antioch University McGregor.

The Bond also states, "so long as any Bonds are outstanding the University covenants and agrees to operate all its educational facilities, including the Project, on a revenue-producing basis" (1)._This paragraph will show that Antioch University knew it was highly likely that it would be close its education unit, Antioch College, while the University was being fully executing its Bond. In 2004 Antioch University" embarked on a capital campaign with a goal of raising \$65 million" to "renovate the College's physical facilities" in order to "save the College from potential financial failure" (3). The Board Vice-President summarized the importance of this capital campaign stating, "without improvement College was headed toward bankruptcy and closure" (4). In March 2006, this capital campaign was in severe trouble and at its likely end as the College President presented a new plan for saving the College. The President's new plan included liquidating portions of the College's endowment through the "re-designation of the Drey [endowment] gift" (5). The University replied to the President's plan stating "to the extent the plan cannot be implemented, all fundraising efforts for the College for the foreseeable future would likely be devoted to meeting its operational needs and that it will be very difficult to raise funds for a new student union or other campus facilities" (5). The College President's plan and the start of the liquidation of the endowment marks the end of the goal of raising \$65 million" to "renovate the College's physical facilities" in order to "save the College from potential financial failure, as stated above.

In September 2006, Antioch University Chancellor Toni Murdock stated "We're not operating as an institution at risk but one that's willing to take risks... (6)." The Antioch University Board of Trustee acted in a "risky" manner that defies good common sense. Following the Footnotes section of this Narrative is a Timeline of this risky behavior and the multiple opportunities Antioch University had to stop the full execution of the McGregor Bond.

NARRATIVE FOOTNOTES

1	On-line	6-03-02	McGregor Bond
<p>http://theantiochpapers.org/document/34/mcgregor-bond-document</p> <p><u>The Bonds are being offered primarily on the basis of the financial strength of the Bank and on the basis of the financial strength of the University or other security.</u> Pg 13</p> <p><u>So long as any Bonds are outstanding the University covenants and agrees to operate all its educational facilities, including the Project, on a revenue-producing basis...</u> Pg 29</p>			

2	161e	6-11-03	Finance Committee - Many points - "drastic action is needed"
<p>http://theantiochpapers.org/file_download/226/rtr_lgl_161e.pdf</p> <p><u>Cash Flow:</u> <u>Bruce Bedford commented regarding the difficult times - July/August borrowed to make payroll- paid in full in September.</u></p> <p><u>Toni Murdock discussed this indicating that drastic action is needed. She proposed the following: freeze on capital budgets for all institutions...</u> Pg 4</p>			

3	Online	4-06-04	Antioch College Renewal Commission Final Report
<p>http://antiochians.org/antiochdocs/renewal/FINAL%20Report.doc</p> <p><u>Antioch has embarked on a capital campaign with a goal of raising \$65 million</u> Pg 7</p> <p><u>The success of the renewal plan outlined here will depend heavily on significant investments to build and renovate the College's physical facilities.</u> Pg 34</p> <p><u>The renewal plan proposed in this report will require strong support from the board, faculty, staff and students if is to succeed in reaching these objectives. The most critical need is to enlist the support of donors for the capital investments required for implementation. <u>If Antioch College can raise the money, the Renewal Commission believes that this plan can not only save the College from potential financial failure, but re-establish it as a leader in progressive education for future generations.</u></u> Pg 42</p>			

4	Online	7-07-00	Quick Summary: Renewal Commission and the Plan for Antioch
<p>http://antiochians.org/antiochdocs/renewal/Antioch%20Renewal%20Commission%20-%20Dan%20Fallon%20Summary.doc</p>			

Quick Summary: Renewal Commission and the Plan for Antioch

Prepared by Dan Fallon
Antioch College '61
Member, Board of Trustees

- I. Trustee recognition of past, present, and future.
D. Without improvement, College was headed toward bankruptcy and closure.
Pg 1

5	111i	6-03-20	Executive Committee Minutes - renewal/NCA/Finance
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http://theantiochpapers.org/file_download/224/rtr_lgl_111i.pdf

She then asked Steve Lawry to provide more details. Steve highlighted his memorandum that had been distributed to the Executive Committee prior to the meeting, not in that the purpose of the exercise was to provide a secure financial condition at the College for the next five to six years while the renewal plan is being implemented. Steve's plan contains three elements: (1) re-designation of the Drey gift with the donors' consent; (2) additional funding from the Pierson-Lovelace Foundation; and (3) additional annual fundraising... It was also pointed out that to the extent the plan cannot be implemented, all fundraising efforts for the College for the foreseeable future would likely be devoted to meeting its operational needs and that it will be very difficult to raise funds for a new student union or other campus facilities.

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6	238	6-09-06	Executive Committee Meeting
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http://theantiochpapers.org/file_download/230/rtr_lgl_238.pdf

Art Zucker called the meeting to order at 3:05PM to review Campus West project and to approve the construction contract with Miller-Valentine...

Toni thanked the Board for their support, observing that "We're not operating as an institution at risk but one that's willing to take risks and invest in its future because we're confident it will happen." This alone will have a huge impact on how we feel about each other and the future of Antioch. This confidence decreases the risk."

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TIMELINE

A - April 4, 2004 - Antioch College Renewal Commission Final Report

Antioch has embarked on a capital campaign with a goal of raising \$65 million

The success of the renewal plan outlined here will depend heavily on significant investments to build and renovate the College's physical facilities.

If Antioch College can raise the money, the Renewal Commission believes that this plan can not only save the College from potential financial failure, but re-establish it as a leader in progressive education for future generations.

[Note - In order to "save the College from potential financial failure" the College must raise \$65 million in capital improvements as part of its Renewal Plan.]

B - April 2004 Events - Quick Summary: Renewal Commission and the Plan for Antioch

Without improvement, College was headed toward bankruptcy and closure.

[Note - Trustee Dan Fallon states that College will close unless it is improved through the Renewal Plan

C - February 12, 2006 - Executive Committee Minutes - bond

RESOLVED FURTHER, that the Executive Committee authorizes and approves the incurrence of indebtedness and the participation in all transactions on behalf of the University relating to the issuance, sale and delivery by the State of Ohio Higher Educational Facility Commission Revenue Bonds (University 2006 Project) in a principal amount not to exceed \$14,000,000...

[Note - Executive Committee authorizes the execution of the McGregor revenue Bond]

D - March 3, 2008 - McGregor Bond

The Bonds are being offered primarily on the basis of the financial strength of the Bank and on the basis of the financial strength of the University or other security.

So long as any Bonds are outstanding the University covenants and agrees to operate all its educational facilities, including the Project, on a revenue-producing basis...

[Note - Says that all units including the College will be revenue producing as part of the bond]

E - March 20, 2006 - Executive Committee Minutes

It was also pointed out that to the extent the plan cannot be implemented, all fundraising efforts for the College for the foreseeable future would likely be devoted to meeting its operational needs and that it will be very difficult to raise funds for a new student union or other campus facilities.

[Note - 17 days after signing the McGregor Bond, the \$65 million fundraising plan for capital construction at the College is "very difficult", fund raising moves from capital to operating expenses. This is more or less the end of the capital intensive Renewal Plan. It appears to be very difficult to "save the College from potential financial failure" or as Trustee Fallon stated the "College was headed toward bankruptcy and closure." It appears this closure of the revenue producing unit of the college would violate the Bond.

F - July 18, 2006 - Executive Committee Meeting

There was also some concern about the September ground-breaking date, that it is getting late in the year. The cost of stopping the project at this point would be too great. There was a brief discussion about delaying the project, to

wait for an April ground-breaking. David Weaver pointed out that the contract calls for a deadline on the start date. He said he'd look into that in case it can be negotiated.

Art asked that Tom review all the numbers with Glenn Watts, Barbara Danley's project manager, asking that the Executive Committee reconvene for a mid-August conference call.

[Note - There is an opportunity to halt the Bond, perhaps a prudent move given the likely financial failure of the College - We also learn that July is a "difficult time" in which the University had to borrow to make pay roll - see "November 3, 2008 - J - Finance Committee" below]

G - September 9, 2006 - Executive Committee Meeting

Art Zucker called the meeting to order at 3:05PM to review Campus West project and to approve the construction contract with Miller-Valentine...

Art stated that the Executive Committee today should make a final review of the risks in going forward on the Project. He noted that once the contract is signed, construction will begin almost immediately in order to complete the project by next fall. The committee then needs to have a discussion around those issues, along with options for delaying or canceling the project. Barbara reviewed the data on the costs of delaying or canceling the project, emphasizing that the costs were both financial and political.

Glenn also pointed out the financial and political costs of not going forward...

Toni thanked the Board for their support, observing that "We're not operating as an institution at risk but one that's willing to take risks and invest in its future because we're confident it will happen." This alone will have a huge impact on how we feel about each other and the future of Antioch. This confidence decreases the risk."

[Note - Despite the concern that the College will fail and close (due to the inability to raise capital funds for the Renewal Plan), a closure that would violate the covenant of the Revenue Bond, the Chancellor and the Committee does not see the institution as being at risk. Barbara Danely, McGregor's President and Glen Watts, the University's former CFO state the project must go forward for "financial" and "political" reasons.]

H - November 3, 2008 - Finance Committee

Cash Flow:

Bruce Bedford commented regarding the difficult times - July/August borrowed to make payroll- paid in full in September.

Toni Murdock discussed this indicating that drastic action is needed. She proposed the following: freeze on capital budgets for all institutions (any repairs, etc. must be approved by the Chancellor); freeze on all non-instructional hiring (again, approval by Chancellor), freeze on all new consulting and finally, review College budget cuts and review Funds 2 and 3 for possible releases. There can be no spending until reserves are built up.

Campus West

Funds will be released from the bank as soon as the Seattle release is received (should be this week).

[Note - Despite the University being in a "drastic" situation, the funds from the Bond should be released this week. Also we learn about the "difficult times" in July and August of this year, before the September 9, meeting in which it was decided to go forward with the project for "financial" and "political" reasons.]

I - November 3, 2008 - BOT Regular Meeting

[Note - The full Board was given most of the information reported in the November 3, 2008 Finance Committee Minutes stated above.]

TIMELINE FOOTNOTES

A	Online	4-06-04	Antioch College Renewal Commission Final Report
<p>http://antiochians.org/antiochdocs/renewal/FINAL%20Report.doc</p> <p><u>Antioch has embarked on a capital campaign with a goal of raising \$65 million</u> Pg 7</p> <p><u>The success of the renewal plan outlined here will depend heavily on significant investments to build and renovate the College's physical facilities.</u> Pg 34</p> <p>The renewal plan proposed in this report will require strong support from the board, faculty, staff and students if is to succeed in reaching these objectives. The most critical need is to enlist the support of donors for the capital investments required for implementation. <u>If Antioch College can raise the money, the Renewal Commission believes that this plan can not only save the College from potential financial failure, but re-establish it as a leader in progressive education for future generations.</u> Pg 42</p>			

B	Online	7-07-00	Quick Summary: Renewal Commission and the Plan for Antioch
<p>http://antiochians.org/antiochdocs/renewal/Antioch%20Renewal%20Commission%20-%20Dan%20Fallon%20Summary.doc</p> <p>Quick Summary: Renewal Commission and the Plan for Antioch</p> <p>Prepared by Dan Fallon Antioch College '61 Member, Board of Trustees</p> <p>I. Trustee recognition of past, present, and future. D. <u>Without improvement, College was headed toward bankruptcy and closure.</u> Pg 1</p>			

C	111h	6-02-15	Executive Committee Minutes - bond
<p>http://theantiochpapers.org/file_download/223/rtr_lgl_111h.pdf</p> <p>RESOLUTION 2.15.06:1 (motion B. Bedford; 2nd L. Stone) WHEREAS, on October 16,2004, the Board of Trustees (the "Board") approved construction of a new academic building for Antioch McGregor at a total cost not to exceed \$15,300,000 (the "Project"); And...</p>			

RESOLVED FURTHER, that the Executive Committee authorizes and approves the incurrence of indebtedness and the participation in all transactions on behalf of the University relating to the issuance, sale and delivery by the State of Ohio Higher Educational Facility Commission Revenue Bonds (University 2006 Project) in a principal amount not to exceed \$14,000,000...

RESOLVED FINALLY, that Don P. Tecklenburg, Vice Chancellor and CFO, or Dr. Barbara Gellman Danley, Vice President of the University and President of Antioch McGregor, are hereby authorized and directed to take any and all other actions on behalf of the Board and the University as may be required to effectuate this issuance of the Bonds.

Pg 1-2

D	On-line	6-03-02	McGregor Bond
<p>http://theantiochpapers.org/document/34/mcgregor-bond-document</p> <p><u>The Bonds are being offered primarily on the basis of the financial strength of the Bank and on the basis of the financial strength of the University or other security.</u></p> <p>Pg 13</p> <p><u>So long as any Bonds are outstanding the University covenants and agrees to operate all its educational facilities, including the Project, on a revenue-producing basis...</u></p> <p>Pg 29</p> <p>The 2006 Project will be a new home for Antioch McGregor to be known as Campus West and is expected to raise Antioch McGregor's competitive standing in the higher education community. The new facility, located at the intersection of Dayton Yellow Springs Road and Enon Road in Yellow Springs, Ohio is just a few minutes from the current location of Antioch College. The new 60,000 square foot building will be two- and three-stories tall, complete with a central three-story library and reading room. The new facility will anchor Yellow Spring's Business & Education Park, a new economic development project that will accommodate office and business incubators. Campus West is a response to the growing enrollment at Antioch McGregor. Having recorded an average growth rate of 10 percent each year for the past several years, McGregor has outgrown its physical facilities on the current campus.</p> <p>A-2</p> <p>Date of Final Agreement to Purchase, Offer or Sell Securities (Date of Sale) 03-02-06</p> <p>Pg 77 pdf</p>			

E	111i	6-03-20	Executive Committee Minutes - renewal/NCA/Finance
<p>http://theantiochpapers.org/file_download/224/rtr_lgl_111i.pdf</p> <p>She then asked Steve Lawry to provide more details. Steve highlighted his memorandum that had been distributed to the Executive Committee prior to the meeting, not in that the purpose of the exercise was to provide a secure financial condition at the College for the next five to six years while the renewal plan is being implemented. Steve's plan contains three elements: (1) re-designation of the Drey gift with the donors' consent; (2) additional funding from the Pierson-Lovelace Foundation; and (3) additional annual fundraising... <u>It was also pointed out that to the extent the plan cannot be implemented, all fundraising efforts for the College for the</u></p>			

foreseeable future would likely be devoted to meeting its operational needs and that it will be very difficult to raise funds for a new student union or other campus facilities.

Pg 2

F	237	6-07-18	Executive Committee Meeting
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http://theantiochpapers.org/file_download/229/rtr_lgl_237.pdf

McGregor Campus West

There was also some concern about the September ground-breaking date, that it is getting late in the year. The cost of stopping the project at this point would be too great. There was a brief discussion about delaying the project, to wait for an April ground-breaking. David Weaver pointed out that the contract calls for a deadline on the start date. He said he'd look into that in case it can be negotiated.

Art asked that Tom review all the numbers with Glenn Watts, Barbara Danley's project manager, asking that the Executive Committee reconvene for a mid-August conference call.

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G	238	6-09-06	Executive Committee Meeting
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Art stated that the Executive Committee today should make a final review of the risks in going forward on the Project. He noted that once the contract is signed, construction will begin almost immediately in order to complete the project by next fall. The committee then needs to have a discussion around those issues, along with options for delaying or canceling the project. Barbara reviewed the data on the costs of delaying or canceling the project, emphasizing that the costs were both financial and political.

Pg 1

Glenn also pointed out the financial and political costs of not going forward, including the impact on faculty, current students, and ability to attract new students...

Pg 2

Toni thanked the Board for their support, observing that "We're not operating as an institution at risk but one that's willing to take risks and invest in its future because we're confident it will happen." This alone will have a huge impact on how we feel about each other and the future of Antioch. This confidence decreases the risk."

Pg 3

H	161e	6-11-03	Finance Committee - Many points - "drastic action is needed"
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http://theantiochpapers.org/file_download/226/rtr_lgl_161e.pdf

Cash Flow:

Bruce Bedford commented regarding the difficult times - July/August borrowed to make payroll- paid in full in September.

Toni Murdock discussed this indicating that drastic action is needed. She proposed the following: freeze on capital budgets for all institutions (any repairs, etc. must be approved by the Chancellor); freeze on all non-instructional hiring (again, approval by Chancellor), freeze on all new consulting and finally, review College budget cuts and review Funds 2 and 3 for possible releases. There can be no spending until reserves are built up.

Pg 4

Campus West

Funds will be released from the bank as soon as the Seattle release is received (should be this week).

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I	136	6-11-03	BOT Regular Meeting - OPEN and CLOSED Minutes - Nov 06
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http://theantiochpapers.org/file_download/225/rtr_lgl_136.pdf

Cash Flow:

Tom Faecke indicated that a presentation will be made at the February meeting regarding cash flow. Tom discussed the need to increase the line of credit for operations cash flow. For the FY07 Budget Action Plan, Toni proposed the following: a freeze on capital expenditures for all institutions (any repairs, etc. must be approved by the Chancellor); freeze on all non instructional hiring (again, approval by Chancellor); freeze all faculty hiring university-wide; freeze on all new consulting and finally, review College back-up budget for FY07 enrollment shortfalls; review Funds 2 and 3 for possible releases; review College staffing and staffing for shared services; and finalize the cash flow analysis. This would stand in effect until reserves are built up.

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Campus West

Construction funds from the bond issue will be released this week.

Pg 8