

Chancellor's Office



150 E. South College Street  
Yellow Springs, OH 45387

937-769-1351 (Phone)  
937-769-1350 (Fax)

**RESPONSE TO THE AAUP INVESTIGATIVE COMMITTEE'S REPORT  
ON ANTIOCH UNIVERSITY'S DECLARATION OF FINANCIAL  
EXIGENCY AND THE SUSPENSION OF OPERATIONS  
OF ANTIOCH COLLEGE  
June 2009**

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For the reasons discussed more fully below, it is the position of Antioch University that the report of the AAUP investigative committee (the "Report") is biased and flawed and should be rejected. The Report is an inaccurate and incomplete narrative of the factual circumstances surrounding the decision to declare financial exigency at Antioch College; it is seemingly based entirely upon the statements of disaffected college faculty members and, apparently, a couple of former Antioch University board members whose allegiance to the college faculty generally and the AAUP specifically is well known.

The two former board members are both faculty members at other institutions and presumably members of the AAUP. One of them is the daughter of retired faculty members of Antioch College and the wife of the current AAUP National President. Her resignation from the Antioch University Board of Trustees was not without acrimony and it is our understanding that she and her husband have been principally involved in the filing and prosecution of these charges. She is hardly a disinterested witness.

Her husband, who is an Antioch College alumnus, has written numerous editorials and articles in publications and websites in which he has lambasted the actions of the board and the integrity of the board members. Those opinions were publicly expressed without benefit of any AAUP investigation or factual inquiry. Consequently, his comments and actions indicate a clear prepossession by the AAUP against due process, fairness or reason and the current report appears to be nothing more than an *ex post facto* attempt to justify a predetermined result. At this point, it is impossible for the AAUP to make a determination in this matter that is truly unbiased and fair. The charges have been made by those closely connected to the AAUP who have a substantial personal and emotional interest in the outcome and who have already publicly vilified and demonized the Board of the University.

Furthermore, the report of the AAUP Investigation Committee is based upon a false premise that in order to declare financial exigency, one must establish that there is an imminent financial crisis which threatens the survival of the entire University, not just the College operation. For the reasons described below, we believe that this high threshold was indeed met. But before addressing the evidence of financial crisis, which evidence we believe the investigation committee largely ignored or misunderstood, it is important to first address the standard itself.

While a standard of “institution-wide” financial exigency may make sense to the large majority of Colleges and University’s with one campus, it’s a standard which makes no logical sense in dealing with an institution like Antioch University which had 6 campuses, including the College, which are located as many as 3000 miles apart. The campuses are geographically remote from each other, programmatically diverse, and pedagogically unique. Some are undergraduate programs and some are master’s degree or doctoral programs. To suggest that faculty reductions in one campus requires a showing of financial exigency at all campuses or institution-wide is pure sophistry. It is certainly not the standard used in the Antioch College Faculty Personnel Policies and Procedures which provide in pertinent part as follows:

55. Necessary and justifiable budget curtailment shall be defined as a state of financial exigency declared by the Board of Trustees or the President in collaboration with the Chancellor of the University, when it has been determined by exercising sound business judgment that conditions exist which can be alleviated only by significantly reducing faculty, staff, and administrator salary expenditures and expenses at Antioch College for a prolonged and indefinite period of time.

56. Financial exigency is defined as a situation where an imminent financial crisis exists which threatens the survival of the **College** and cannot be alleviated by less drastic means. This can be caused by a steady or sudden decline in students or a sudden or steady increase in deficit in operating expenses. (Antioch College Faculty Personnel Policies and Procedures, Section One, (IV)(a)).

Those policies have been in place for decades without challenge by the faculty or the AAUP. The policy has been applied in the past to effect a reduction in the faculty at the College without challenge from the AAUP. Moreover, while the University has closed as many as 35 other programs and campuses over the last several decades because they were not financially viable, at no time did the AAUP challenge those actions on the basis that the University had failed to establish that the survival of the entire University was threatened.

For example, at no time did the AAUP challenge the termination of faculty at the former Antioch Philadelphia campus in 1988, or Antioch Law School in 1989 or Antioch San Francisco in 1988. The investigation committee was seemingly aware of that history but it makes no attempt to distinguish the AAUP’s treatment of any of these discontinued operations. In the past, the AAUP certainly appeared to sanction the notion that financial exigency is a discrete and insular analysis specific to each campus. The Report presents no compelling

reason as to why the University was not justified in relying on the AAUP's apparent sanctioning of this approach.

Nor would any different approach be logical or reasonable. Extending the analysis of the investigation committee to its illogical limits, a university could discontinue no program or campus, regardless of how horribly it may be bleeding red ink until the entire university were on the verge of collapse thereby jeopardizing the employment of all faculty institution-wide. As formerly successful programs wither under the pressure of forced subsidies, reinvestment in their growth and sustenance is impossible, tuition revenues decrease, creditor confidence erodes, alumni support vanishes and eventually the entire institution fails and the employment of faculty on all the campuses is terminated. In the end the AAUP policy as interpreted by the investigation committee is counterproductive. The policy itself jeopardizes the job security of faculty everywhere within the institution. This cannot be the result intended by those who initially adopted the AAUP guidelines.

This is precisely the position in which the University found itself in June 2007. The programs of the other campuses, the employment of over 200 other faculty and the opportunities for over 4000 other students could not be jeopardized in a continuing effort to turn the College around. The efforts to do so in the past, while extensive, were simply not sufficient for many reasons which do not involve fault, do not involve ill motive, do not involve false allegiances. The suggestions by many to the contrary are nothing more than an attempt at phatic communion which, while successful in energizing an otherwise complacent alumni base, is useless in understanding the problems of the College moving forward.

Furthermore, the investigation committee's quick leap to view the problems of the College as emanating from the "creation of the University" is simply another unfortunate diversion. The University is one entity and that one includes the College. The board is the governing body for the corporation which is the same entity originally incorporated in 1852. There was no "we" and "they" in the minds of the Board of Trustees and to suggest otherwise is libelous and defamatory. Most board members, as discussed more fully below, were graduates of the College who devoted substantial time, energy and resources to their *alma mater*. Their motives and actions were always in compliance with their fiduciary duty to do what is in the best interest of the one corporation which they served.

Therefore, it is with that background that we hereby submit our response to the Report. We begin with a few caveats. Because of the short time frame for preparing this response and the press of other business related to the College and its future which you are well familiar with, we are not able to address all of the factual inaccuracies of the Report. We attempt here to respond to some of the major fallacies and misconceptions of the Report only. In this endeavor, we attempt to accomplish the following:

1. provide a full historical perspective through narrative, documentation and accounting of the College and University and places it within the context of the wider, higher education landscape;
2. address the Renewal Commission and the College faculty's implementation of the Commission's recommendations;

3. provide extensive information about the College's long-standing and well-known financial situation which led to the suspension of College operations; and
4. examine the changes to the governance structure over many years.

We believe that the AAUP Board should receive a fair and accurate view of the actions taken by the Antioch University Board of Trustees (BOT), based on sound and rigorous inquiry that meets the standards of the academy. In our opinion, the AAUP Investigative Report does not meet those standards. The University's response addresses these weaknesses in data collection, analysis, and implications represented in the AAUP report, and provides facts from many resources including accreditation reports from the Higher Learning Commission/NCA, external consultants' reports, faculty surveys, AdCil minutes, financials and resolutions from University Board meetings.

To understand what has transpired over the last 30 to 40 years of Antioch University's history, including its financial history, one must recognize the changes that have taken place during that time in the system of American higher education. Antioch College grew into a University system of over 40 campuses in the mid-60s to mid-70s, many of which were started by College faculty. While establishing the University may not have been the original plan, it was in the establishment of this network of campuses that it all began. The evolution has not always been smooth, requiring constant changes in the governance structure. This is not uncommon in higher education institutions and is the prerogative of the Board of Trustees.

As noted in the June 2009 AICUO e-mail update, regarding Muskingum College changing its name to Muskingum University:

The Board of Trustees announced the change this week, explaining that throughout the world, the word "college" has different meanings than it does in the context of higher education in the United States. College may signify a lower-level community, technical or vocational institution, a subdivision of a university or even a high school. Changing the name will help to specify the level of educational excellence Muskingum has been known for and will also facilitate the efforts of students who wish to study abroad, faculty seeking to secure international fellowships, research collaborations and exchange programs, recruiters working with international students, and alumni whose careers take an international path.

Yet, despite this widespread trend in higher education, many Antioch College alumni and faculty have never embraced the concept of a university. To the detriment of the College, nostalgia has over-shadowed logic and reason.

Small, single campus liberal arts colleges of today are finding it increasingly difficult to remain financially solvent, particularly those that have little or no endowment, such as the College. As recently reported in the June 12, 2009, *Chronicle of Higher Education*, over the past year, five private non-profit institutions "have either shut down, merged with a wealthier non-profit college, or sold themselves to a for-profit college company," those being John F. Kennedy University, Daniel Webster, Myers University, Waldorf College, and the College of Santa Fe. These five institutions were listed along with 104 other private nonprofit institutions as failing the U.S. Department of Education's financial-responsibility test. "Other institutions on the list

have recently made headlines for failing to make their payroll...or for cutting retirement contributions for employment.”

The opening paragraph of the Antioch University Board of Trustees’ *Declaration of Financial Exigency* in June 2007 sets the context for the events that occurred at Antioch University, the decisions that were made and the actions that have been taken (Appendix A).

“Over the last several decades, Antioch College has experienced a continuing decline in student enrollment and concomitant revenues which have repeatedly and increasingly threatened its survival. The efforts to balance the budget over the years through faculty and staff reductions, programmatic changes and deferred maintenance of the physical plant have inevitably eroded the confidence students and parents have in the academic program resulting in a spiral of attrition. It is now clear that the College’s resources are not sufficient to sustain itself and its options to reverse this trend have been exhausted. Regrettably, the Board of Trustees has determined that, in the exercise of sound business judgment, it is prudent to suspend operations at the College. Therefore, the Board of Trustees is hereby declaring a state of financial exigency and has further directed that the President of the College, in consultation with the Chancellor of the University, the Dean of Faculty and ADCIL, develop, in writing, a plan and timetable to implement the necessary and justifiable budget curtailment pursuant to Section IV, B 59.1 of the Faculty Personnel Policies. The rationale and information upon which this declaration is based is set forth below.”

The AAUP Report demonstrates little understanding of actions leading to the decisions of the University Board of Trustees on June 7, 2007. The Board’s actions require a much fuller understanding of what this institution was facing and had been facing over many years. The decisions made required much courage and, although heart-wrenching for many involved, including trustees who were also alums of the College, the decisions showed both foresight and compassion. The decision to give College faculty at least 12 months’ notice with 14 months’ pay provided them time to organize their lives. Rather than miss monthly payroll or be forced into bankruptcy with no advance warning, suspending operations at the College was the moral and ethical decision to make.

Further, with the knowledge that the freshmen might not be able to complete their degrees at Antioch College, the Board made the decision not to admit a new class of students in fall 2007. This twelve-month notice to the College provided a year’s advance support for students currently enrolled to either complete their degrees or transfer to other institutions.

It is disconcerting that the AAUP’s Investigative Report appears to have considered only the 200+ students and 40 full-time faculty of Antioch College. At the forefront of any analysis of the Board of Trustees’ actions in June 2007, it must be recognized that, in addition to the College, Antioch University is an institution with 200 full-time core faculty, over 4,000 undergraduate and graduate students, and 20,000 alumni, and that the University administration and University Board are responsible for the teaching and learning environments of these thousands of faculty, students, and employees.

## **Historical Perspective**

The AAUP Investigative Report presented only a partial perspective on the development of the University and the College within it. The University's response presents a fuller presentation of the College and provides information missing from the AAUP's report. Only in reviewing the full context can the decision to suspend the College operations be understood.

It is well chronicled that for most of its history, Antioch College has had low enrollment and a small endowment. Consequently, it has experienced repeated episodes of financial instability. Having suspended operations from 1862-65 and again from 1881-82 for lack of funds, the College was about to close its doors and liquidate its assets in 1919 when a new trustee, an engineer named Arthur Morgan, proposed a radical redesign of the College curriculum that he felt could save it. His "co-operative education" program, blending ten-week periods of work and study, succeeded in achieving a measure of financial stability for the College for many years.

The success of Antioch's unique combination of rigorous liberal arts education coupled with work experience enabled the College to attract outstanding faculty and students during its long period of growth from the end of World War II through the early 1970s. As Antioch College's reputation and leadership in co-operative education, community governance, and academic study abroad grew, so did its enrollment. In the late 1960s, as the "baby boom" generation began to reach college age, and the intellectual and cultural turmoil sparked by the Vietnam conflict continued to escalate, the demand for higher education reached an all-time high.

At its zenith in 1972-73, the College boasted an enrollment of 2,470 students. As a result of the devastating student and employee strikes in 1973 and 1978, and the changes in the American cultural landscape brought on by the end of the Vietnam War, student enrollment plummeted by 8% in one year. The College declared a state of financial exigency that year which resulted in the reduction of approximately 25% of the faculty as well as similar reductions in administrative and staff positions. The extent of the cuts in faculty, while necessary and appropriate, may have caused faculty and students to doubt the educational quality of the College, and the downward spiral of attrition continued unabated for the next decade. Within five years enrollment declined to 1,100 students.

The early 1970s was a difficult time for all private higher education institutions throughout the nation. The private sector institutions had the lowest proportion of the traditional, 4-year residential student "market" in its history, less than 20%. Many institutions faced budget reductions, cuts, layoffs, and closure. Some institutions survived and some did not. College alumni folklore attributes Antioch College's decline in the enrollments in the 1970s/1980s to (1) the student strikes in 1973 and 1978, which resulted in the closing of the campus for several months and from which the College never recovered, (2) expansion of the non-residential campuses and the drain on the College revenue, (3) lack of oversight from the College President, (4) dominance of the campus by the left-wing radical sector of the faculty and staff causing an environment of oppression that dissuaded new students from attending, or (5) a

combination of two or more of these elements. The AAUP Report failed to take into account the wider higher education environment of the '70s/'80s.

By 1985, the enrollment at the College had dropped to approximately 500 students, 80% of its 1973 level, where it essentially remained until recently.<sup>1</sup> Over the same period of time, the number of full-time faculty had been reduced from over 150 to the 40 who constituted the faculty during FY 2006-07. The College's unsustainable student-to-faculty ratio of 7 to 1 during that fiscal year was far less than the national average for similar colleges. Yet at the same time, it would have been difficult to provide an appropriately broad liberal arts curriculum with fewer faculty members regardless of the number of students.

### **Actions Taken**

What actions did the University Board and the President of the University take to counter the downward spiral?

In 1978, upon the recommendation of the Ohio Board of Regents, Antioch College was declared a University and its name was changed to reflect this new status. In part, the Ohio Board of Regents made this recommendation because a number of Antioch's non-residential campuses were offering graduate degrees.

In 1985, Dr. Al Guskin became president of Antioch University. The first major reorganization of Antioch University's governance structure, which defined the administrative roles and designations in the University and at Antioch College, began in the early '90s and was fully implemented by July 1994. Prior to this date, Antioch College was the center of the system. The Antioch College President was also head of the University system, and the heads of the individual campuses were titled Deans. The reorganization separated the position of Chancellor of the University and President of the College into two entities, and the title of Dean at the non-residential campuses was changed to Provost/CEO.

President, and later Chancellor Alan Guskin (1985-1997) defined the new University governance structure as a "federation." The underlying assumption of the model was that each campus was related to every other campus, carrying a dual citizenship to itself and to the University as a whole. In essence, each had allegiance to the basic purpose, mission, philosophy and well-being of the entire University. The campus heads worked together, as a precursor to today's University Leadership Council (ULC), which was responsible for fulfilling the mission of the University, meeting the policies and supporting procedures established by the Board, managing the resources of the campuses and the University, and upholding and representing the shared values and purposes for which Antioch University stood.

This change in the structure established the non-residential sites as campuses (not 'satellites' as the AAUP report erroneously refers to them). Although the non-residential campuses were expected to provide some income to Antioch College, it was never intended that they exist as an unlimited resource for the College. The non-residential campuses were charged with operating as financially self-supporting institutions, with no dependence on the University

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<sup>1</sup> See Chart of Antioch College Enrollment (FTE's) 1976 to 1996, Exhibit 1.

Board or the College. Except for the College, which often showed a deficit at the end of each year, any campus that did not balance its budget and/or ran extensive deficits for multiple years was closed. The five non-residential campuses that remained open were the successful survivors of the expansion initiative of the mid-60s to mid-70s.

As well, the new federation called for all campus CEOs, including the College's CEO, to report to the Board of Trustees through the Chancellor. This change in reporting started in 1993, not 1997 as reported in the AAUP report. If any campus president felt that the reporting arrangement did not pertain to him, he was grievously mistaken.

While there were changes over the years in the number of campuses and the role of the campus CEOs, the University Board of Trustees, composed of 90% Antioch College alumni, remained the single governing body for all campuses. Under President Guskin, a capital campaign was initiated for Antioch College; however, the College did not have the upfront money to launch its campaign and so over \$2M was borrowed from the non-residential campuses to finance the campaign with a complex repayment schedule (Resolutions 2.6.99:13 and 10.19.02:9).

The \$2M borrowed by the College from the non-residential campuses was never repaid. This placed those campuses in dire financial straits as they could not use carry-forward money to invest in their own campuses. In fact, as it became more apparent that the College's debt was reaching critical mass, the ULC in 2002, in an effort to help the College, proposed a formal forgiveness of the College's debt resulting from the College's 1990-1992 campaign operations. This is documented in Resolution 10.19.02:19.

Between Al Guskin's arrival in 1985 to his departure in 1997, enrollments at the College stabilized at around 500 students but never regained the numbers it enjoyed in the early 1970s. Meanwhile, the student populations at the non-residential campuses continued to grow and all began exceeding enrollments at the College. In 1997, Dr. Jim Hall was appointed Chancellor and continued the federated model with the College president reporting directly to him. The non-residential campuses continued to support the College through subsidies totaling well over \$1 million *per year* as well as covering any deficit spending in the College's budget. By now, deficit spending on the part of the College had become a familiar pattern, setting the stage for an unsustainable future.

### **Other ways in which the University helped the College.**

Although the AAUP Report tries to argue that the College was diminished by the University, the evidence in the following paragraph (as well as others in this section) shows quite the opposite, that the University Board and Administration often exhibited preferential treatment to the College over the other campuses.

As the decentralized approach to governance and the central administration's relationship to the campuses developed, it was further enhanced in February 1998 when the Board of Trustees changed the title of the campus CEOs to Presidents (Resolution 2.7.98:11). The AAUP Investigative Report incorrectly states that this action occurred in 1994. The report also misstates that the action was taken as the result of a petition to the Board by the provosts. Records

show that no petition was made to the Board, that this was a Board action independent of the provosts. Also at this time, each campus, including the College, was mandated to establish a board of visitors fund-raising body. All campuses did so, except Antioch College. The Board in 2001 and 2005 again directed the College president to establish a board of visitors<sup>2</sup> but this was never accomplished.

It also needs to be noted that the University Board of Trustees, which remained the single governing body for the entire multi-campus system and ranged from 18 to 27 members, eighty to eighty-five percent of its members were alumni of Antioch College. There was also a seat on the Board of Trustees reserved for an ex-officio voting representative from the Antioch College Alumni Board. Yet, there was no representation on the Board from any other campus alumni group, *even though alumni from the non-residential campuses totaled approximately 20,000*.

Through Chancellor Hall's term (1998-2002), the College continued to struggle with enrollments and lack of alumni giving to the annual fund. Although a strategic plan was adopted by the College which called for 800 students by the year 2000, the lack of progress in obtaining that goal continued to restrict College spending and investment in its facilities. In order to try to reduce Antioch College expenses, an *ad hoc* Board committee, the Budget Stabilization Committee, recommended consolidating the operational services of all the units located in Yellow Springs: central administration, the College and McGregor University. The business office, human resources, facilities maintenance, information technology, and purchasing were centralized under the University with the College and McGregor each having their own Controllers.

The AAUP Investigative Report contends a lack of involvement, that Antioch University did not discuss the College's budget with College administrators. During the above noted period, the University's Vice Chancellor of Finance or his designee met frequently with AdCil over the annual budget cycles. As documented by AdCil minutes from 2001, the CFO or his designee spent numerous hours in meetings with the College budget committee.

The AAUP Investigative Report asserts that the College lost control of its budget at this time. In fact, Antioch College maintained control of its budget, as the budget process continued to be followed just as it had been in the past with AdCil. The University CFO had responsibility for budget oversight for all campuses.

As a way to help support and sustain Antioch College, the University provided the College with administrative services so the College would not have to add staff and incur related expenses. These services included payroll and human resources (encompassing union negotiations, health benefits, insurance, and retirement). So, in addition to the subsidies the College received from the other campuses, the College was not held accountable for its share of the costs of these aforementioned services. Since 1993, the entire cost for central administration was carried exclusively by the non-residential campuses.

The consolidation of services helped to reduce expenses at the College temporarily. However, the central administration staff were so heavily occupied with serving the day-to-day needs of

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<sup>2</sup> Resolutions 6.2.01:21 and 6.4.05:28

the College that the non-residential campuses – who paid for central’s services – saw a major decline in receiving those services.

The AAUP Report argues that the College constituencies were unaware of the grim financial situation of the College. There is much documentation to the contrary. In the February 13, 2003, AdCil minutes, College president Joan Straumanis provided AdCil with a brief report from the BOT meeting. Straumanis reported that, “Given this year’s attrition rate and spring enrollment numbers, the College’s budget deficit is far worse than we thought [and there is] a great deal of skepticism regarding the College’s ability to generate an adequate revenue stream and maintain a balanced budget.”

As noted in the “Antioch College 2001-2007 Historical Budget Analysis” (Exhibit 1), the College ran a consistent deficit on average of \$1M each year, in spite of the annual subsidy payments of \$600K to \$740K it received from the non-residential campuses and its not having to pay any portion of central administration’s costs for services rendered to the College. The annual College deficit amounted to over \$6M during the period 2001 to 2005. At the time this historical table was prepared (February 2006) by the University’s Vice Chancellor of Finance, it was projected that the College’s 2006/07 budget deficit would be \$395,543. In actuality, the deficit that year ended up over \$1.4M.

These deficits over the years were covered from the reserves of the non-residential campuses, totally depleting those reserves. The chart on the next page, “Summary of Total Subsidies to Antioch College from Other University Campus Units,” indicates the annual support provided by the University to the College. Over a seven-year period the annual support ranged from \$1.6M to \$3.1M.

Antioch College survived in recent years from redirected gifts, gains generated by the endowment, and dependence on financial support from the five non-residential campuses of Antioch University. But the support from the non-residential campuses began to exceed levels that were sustainable over the long term because they deprived the non-residential campuses of funds they needed to remain competitive in their local markets. Moreover, inexorable increases at all colleges in the costs of providing a residential liberal arts education, driven by the inability of traditional forms of instruction to realize productivity gains from new technology and other means, suggest that Antioch College’s financial problems would get worse over time without a large influx of students and tuition revenue.

Adding to the problem of Antioch College’s ability to compete with its peer institutions was the practice of tuition-discounting, a system usually supported by a large endowment. Antioch College’s tuition-discounting eventually amounted to over 50% with virtually no endowment to supplement the discount. Attempting to run an institution on less than 50% of collected tuition with small annual fund-raising and a small endowment stresses an institution financially to its limits.

The AAUP Report appears not to have considered any of this.

**Summary of Total Subsidy to Antioch College from  
all other University campus units**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Direct Subsidy</b>	600,000	600,000	600,000	600,000	600,000	600,000	740,000
<b>Deficits covered by University</b>	-	571,498	1,625,466	1,292,930	1,329,947	458	1,443,229
<b>AC proportional share of Central Operating</b>	1,053,454	1,095,798	781,124	684,526	866,571	1,084,914	948,631
<b>Total Subsidy of College</b>	<b>1,653,454</b>	<b>2,267,296</b>	<b>3,006,590</b>	<b>2,577,456</b>	<b>2,796,518</b>	<b>1,685,372</b>	<b>3,131,860</b>

## **The Renewal Commission Plan**

The AAUP Report failed to place the work of the Renewal Commission in the actual context within which it was created, asserting that the faculty had no involvement and that the curriculum was forced on them by the Board. The following pages will put the Renewal Commission in its proper context with the goal of aiding the AAUP Board's understanding of the Renewal Plan's purpose.

In 2003, in yet another effort by the Board of Trustees to revive and save the College, the Trustees established the Sesquicentennial Commission for the Renewal of Antioch College (the "Renewal Commission"), which was charged with the responsibility for developing a plan, strategy and timetable for renewal of the College. Specifically, the Renewal Commission was directed by the Board to recommend "the educational vision which would enable the College to flourish" and to propose a structure for the academic program which would best "insure its long-term financial viability."<sup>3</sup> The Board was following the legacy of Arthur Morgan who in 1919 proposed a radical redesign of the College academic program. The Commission was composed of board members, outside consultants, the President of the College, and two College faculty members only one of whom held an administrative position as chair of the faculty at that time (an elected position). The other faculty member was in an endowed chair position where she split her time between research and serving as a co-op advisor to Antioch students. The AAUP Investigative Report incorrectly indicated that both faculty members held administrative positions.

At the same time, the Board adopted Resolution 10.25.03.8 (Appendix B) at its October 2003 Board meeting in which it recognized that

"persistent financial dis-equilibrium existing at the College has been previously identified and addressed by the Board in June 2001 with its approval of an Ad Hoc Committee Report, and in October 2001 with its adoption of a Financial Stabilization Plan."

In that resolution, the Board directed the Chancellor, in consultation with the University Leadership Council and the Renewal Commission,

"to present to the Board at its June 2004 meeting, a plan with appropriate recommendations for the elimination of the College's operating deficits on or before the close of the fiscal year ending June 2006."

The plan was to include a specific recommendation as to whether the Board should declare ***the need for fundamental changes in the College program and/or a necessary and justifiable budget curtailment.***

In its final report to the Antioch University Board of Trustees dated June 4, 2004, the Renewal Commission concluded that Antioch College was in serious peril, and imminent

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<sup>3</sup> Resolution of the Antioch University Board of Trustees passed on June 7, 2003.

threats to its survival could not be ameliorated with mere incremental changes. Rather, a quantum change in the manner in which the educational program was delivered would be required to provide necessary efficiencies. Specifically, the Renewal Commission found that:

...[T]he current curricular structure of the College is financially and academically unsustainable at its current size. Without transformative change, Antioch College is unlikely to survive. In 1997, Antioch set an enrollment goal of 800 students by the year 2000, but the number of degree students has remained under 600 through 2004. For seven of the past ten years, the College has incurred unbudgeted operating deficits of \$500,000 to over \$1 million. Investments in admissions marketing, retention initiatives and financial aid have failed to generate significant gains in enrollment. A recent consolidation of administrative and financial functions at Yellow Springs failed to prevent another substantial unbudgeted deficit. First-year retention has declined from 85% in 1985 to 65% in 2002, while the four-year graduation rate has declined from 48% in 1985 to less than 25% at present, although declines in the six-year graduation rate are more modest.

The underlying problem is that the school's small size and endowment cannot provide the financial resources required to support a traditional liberal arts education, even with the advantages provided by the co-op program. As a result, the curriculum is sparse, faculty are underpaid and vulnerable to demoralization, buildings are poorly maintained, tuition discounting is excessive, admissions selectivity is lower than the College's aspirations, and students are dissatisfied. These problems have contributed to the deterioration of campus climate, volatile relationships within the College community, allegations of racism, dysfunctional governance and disempowered leadership.<sup>4</sup>

The lack of capital improvements and deferred maintenance of the physical facilities of the College were of particular concern to the Renewal Commission because of its negative impact on recruiting new students. The Commission noted that, because of its long history of financial difficulties, the College was unable to undertake significant new construction for many years and most buildings were in poor condition. The Commission concluded that the Renewal Plan would depend heavily on significant investments in the physical facilities.

“Substandard facilities make it difficult to recruit new students, particularly because many of Antioch's competitors undertook significant building programs during the capital markets boom of the 1990s. In addition, students and their parents take quality of facilities as a proxy for the educational quality and financial health of the institution...”<sup>5</sup>

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<sup>4</sup> Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, p. 7.

<sup>5</sup> Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, p. 34.

Substandard facilities have been one of the primary factors in the College's declining retention rates. Surveys and interviews of departing students consistently cited poorly maintained buildings as a primary factor in students' decisions to leave the College.

Yet, the infusion of capital necessary to substantially improve buildings and undertake new construction was lacking. The Renewal Commission noted that while Antioch College had embarked on a capital campaign with a goal of raising \$65 million, only about \$40 million had been committed. In light of the College's history of financial instability, "some prospective donors are reluctant to provide full support without a comprehensive plan to address the College's basic problems and grasp the great opportunities that lie before the College community."<sup>6</sup>

In an effort to address these compelling programmatic inefficiencies and capital deficiencies, the Renewal Commission recommended a comprehensive plan to overhaul the delivery of the academic program, and a plan to engage in a comprehensive capital campaign. The existing capital campaign goals were amended and the timelines were extended to seek additional gifts to fund, among other things, the renovation and construction of facilities, the acquisition of technology infrastructures and the expansion of endowment for scholarships.

In reviewing the process of curriculum design, there is much evidence that faculty were heavily involved and in charge of the design. The Renewal Commission gave a broad outline of the vision and then asked the faculty to design an academic program and curriculum that would fit the vision. Most everyone would agree that curriculum is the purview of the faculty. And, as recognized by the Association of Governing Boards, any private institution's board has the responsibility and obligation to set the mission and direction of an institution.

Faculty votes are evidence of faculty approval, and the Implementation Teams, including rosters with faculty names and stipends paid, shows wide representation and work on the part of the faculty. On March 27, 2006, during an Antioch College Faculty meeting, faculty presented a ballot for vote. This ballot stated "...we the faculty understand the core program..." and asked for a yay, nay, or abstain vote. Records show that the first ballot asked for minor edits in verbiage and the second ballot passed by a substantial margin. The faculty developed the ballot, conducted the voting, collected and tallied the votes, and filed the results, including ballots, with the dean of faculty office. It is of record that only three College faculty were unavailable for this vote.

Following its approval of the Renewal Commission's plan for Antioch College, the Board established a Renewal Implementation Task Force to assist in the implementation of the Commission's recommendations (Resolution 6.5.04:17). With leadership from the faculty, the academic program was restructured to create Experiential Learning Communities (ELCs) which were designed to "integrate students' on-campus academic study in a learning community with experiential learning through such forms as field

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<sup>6</sup> Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, p. 7.

studies, community work, internships, and through linkages with co-op work, service learning, or other off-campus experiences.”<sup>7</sup> All new students would enroll in the ELCs in the academic term of 2006-07. Once fully implemented, the new ELCs would each have 30 to 45 students, two to three full-time faculty members from different academic disciplines, and a student-faculty ratio of 15 to 1, thus delivering the liberal arts education in a more efficient manner.

The College received a grant of \$100K from the Pierson-Lovelace Foundation to support the faculty development of the Renewal plan. In a thank you letter from Interim College President Rick Jurasek on August 5, 2004, he stated: “The College has embarked on an extremely ambitious restructuring of its curricula and re-forming of the way our faculty members work with students. Faculty development is the foundation of this process....” The letter proceeded to outline the work of the faculty over the next year indicating a dozen or more design teams composed of faculty, students and administration.

Faculty received extra stipends for their work. Visitation by College faculty to campuses of Evergreen State College, Wagner College, and Alverno College took place in the Spring and Summer of 2005. College faculty and students visited Evergreen State College in Winter of 2005 to observe classes and speak with faculty and students. Faculty retreats were held to focus on the curriculum transformation.

In a memo dated September 14, 2004, Interim College Dean of Faculty Ann Filemyr asked the College community – faculty, staff and students – for volunteers who would like to serve on the Curriculum Implementation Teams. The staff and students were asked to work through community government for committee assignment. Team leader responsibilities were defined and stipends were awarded to faculty for participation. Documentation shows that these teams and sub-teams were composed of 40 faculty, 20 staff, 5 community government representatives, and 11 students, demonstrating wide and responsible representation, many serving on more than one committee.

Beginning in October 2004, and at each of the Board’s meetings, College faculty and administration gave reports on the progress of the Renewal Plan. At the same time, AdCil minutes show that at least two on-campus visits from Board Chair Dan Kaplan, who was also serving as co-chair of the Renewal Commission, took place to give updates on the progress of the Commission and to receive input from the College community on the Plan.

By January 2005, a draft was prepared by the faculty teams outlining graduation requirements, credit and evaluation, self-designed majors, co-op requirements, major-related co-op, cross-cultural exchange, e-portfolio, skills assessment, first-year learning communities, second- and third-year learning communities, and fourth-year learning communities as affirmed by the faculty vote.

It must be emphasized that the faculty was responsible for designing and implementing the curriculum. The decision to implement the curriculum one-year early was not the

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<sup>7</sup> Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, pp. 34 and 35.

Board's idea, but rather was a recommendation from the interim president and College academic administration to the Board that they believed early implementation was a realistic goal.

The Board frequently acknowledged the work of the faculty as Herculean, and the College president extended his gratitude to the faculty for accomplishing such a feat. The BoT, and acknowledged the work formally at its February 2005 and October 2005 meetings in the following resolutions.

**RESOLUTION 2.5.05:21:**

WHEREAS, the faculty and staff of Antioch College have worked above and beyond expectations in the process of creating the Plan for Antioch College to implement the recommendations of the Renewal Commission; and

WHEREAS, for many years the College faculty and staff have been among the lowest paid employees of private liberal arts colleges within the State of Ohio; and

WHEREAS, as a result of several recent contributions by College alumni for the purpose of providing funds for the development and implementation of the Antioch Plan, the College now has the resources needed to begin addressing the salary and wage levels at the College.

THEREFORE, BE IT RESOLVED, that the Antioch College President is authorized to award up to \$200,000 (inclusive of related benefits and taxes) to increase base salary and wages to College faculty and certain other employees as he, in his sole and absolute discretion, shall deem best.

**RESOLUTION 10.22.05:13**

WHEREAS, since the time of Robert of Sorbon in 1257 the Liberal Arts College has been known to be the center of all true academic life; and

WHEREAS, the faculty, staff, and students of Antioch College constitute a genuine Liberal Arts College in a tradition that links it through many centuries with similar academic communities; and

WHEREAS, Liberal Arts College communities regularly examine their programs of study, provoking much stimulating and challenging discussion, with individuals and groups championing ideas large and small, strange and familiar, weird and wonderful; and

WHEREAS, such discussions have a colorful history chronicled once by John of Salisbury in 1147, who described the fight between grammar and logic at the University of Paris by writing that "The saying of the comic poet that 'there are as many opinions as heads,' has almost come to hold true. Rarely, if ever, do we find a teacher who is content to follow in the footsteps of his master. Each, to make a name for himself, coins his own special error. Wherewith, while promising to correct his master, he sets himself up as a target for correction and condemnation by his own disciples as well as by posterity;" and

WHEREAS, the community of faculty, staff, and students of Antioch College have for the past few years and continuing even now entertained a similar debate, congealing around the phrase, "THE PLAN FOR ANTIOCH;" and

WHEREAS, the community of faculty, staff, and students of Antioch College have shown in the debate about the curriculum energy, imagination, resourcefulness, loud volume, exasperation, social action, perseverance, fanaticism, dreariness, idealism, realism, pleasure, pain, high intellect, and, above all, a genuine caring for humanity and the advancement of the human condition; and

WHEREAS, the debate and ongoing systematic implementation of THE PLAN FOR ANTIOCH is a tribute to the storied traditions of the liberal arts college and does honor to those in the Antioch community who are following an existing curriculum while at the same time introducing and implementing a new and reconfigured one; and

WHEREAS, the health, vigor, resilience, virtue, beauty, and academic strength of Antioch College owe everything to the community of faculty, staff, and students of Antioch College, whose love of the College has made possible its outstanding performance in the decades just past and its promise in the decades to come;

THEREFORE BE IT RESOLVED, that the Board of Trustees of Antioch University salutes the community of faculty, staff, and students of Antioch College for their inspirational dedication to Antioch College, for their conscientious work in the grand tradition of the liberal arts, and for their care in maintaining the quality of this singular jewel in American higher education, and expresses through this resolution the Board's heartfelt thanks.

With the fundamental changes in the delivery of the academic program and the emphasis on a successful capital campaign to fund campus improvements, it was the hope of the Renewal Commission and the Board that the College could be turned around and enrollments would gradually increase. While the Renewal Plan may have been successful in the long run in attracting and retaining students, it was not successful in the short term. Time was of the essence. The transition from the College's traditional academic program to the bold ELC concept was difficult to market and may have contributed to an acceleration of student attrition. Likewise, neither the annual development campaign nor the capital campaign were as successful as hoped and, as discussed more fully below, substantial portions of the unrestricted gifts raised in the early part of the Capital Campaign were used to cover operating shortfalls at the College.

The financial projections of the Renewal Commission were based upon anticipated enrollment of 170 new first-year and 46 transfer students in 2005-06 and another 170 new first-year and 46 transfer students in 2006-07.<sup>8</sup> As indicated in the chart below, the actual College enrollment of new students for both years was devastatingly low, particularly in 2005-06 in which there were only 60 new first-year students and no transfer students. Since the retention rate of transfer students is usually higher than the retention rate of incoming first-year students, this complete default in garnering new transfer students was especially injurious. The results for 2006-07, while better, were still far off the mark with only 118 new first-year students and 7 transfer students.

For the 2007-08 academic term, the Renewal Commission projected first-year enrollment at 190 students and 51 transfer students. The 2007/08 projections of the incoming class were similarly disappointing.<sup>9</sup>

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<sup>8</sup> Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, p. 44.

<sup>9</sup> Enrollment Analysis for Antioch College—Sustainability Study. A more current projection places first year enrollment for 2007-08 at 110 students rather than 120.

	New First-year <i>Actual vs projected</i>	Transfer Students <i>Actual vs projected</i>	Total <i>Actual vs projected</i>
2005-06	60/170	0/46	60/216
2006-07	118/170	7/46	125/216
2007-08	120/190	15/51	125/241

Of course, the small size of a first-year class exacerbates overall enrollment deficiencies for a four-year period until the class graduates. It was not surprising, therefore, that the overall enrollment of the College continued to decline from 461 students in 2005-06 to a projection of only 389 students in 2007-08, which included 82 students who were to be enrolled in the Antioch Education Abroad (AEA) program or non-degree programs.

In addition, the retention rates among students continued to decline. The retention rates for students who started at Antioch College as freshmen dropped from 66% to 62.3%. The retention rates for transfer students dropped from 75.8% to 62.5%.<sup>10</sup> Indeed, almost every category within the admissions matrix declined drastically. The number of inquiries from prospective students, for example, dropped from 11,497 in FY 2003-04 to only 3,497 in FY 2005-06. The number of applications dropped from approximately 600 to approximately 400 in the same period of time.

As the College's enrollment declined, so also did its tuition revenue despite significant increases in tuition rates and fees. Between FY 2002-03 and FY 2006-07 tuition revenue as a percent of the total revenue of the College dropped from 50% to approximately 30%. In stark contrast, tuition revenue represented 80% to 100% of the revenues at each of the other campuses of the University. As a result, the College experienced a \$1.4M operating deficit in FY 2005-2006 and a \$5.395M operating deficit in FY 2006-07.

In an additional effort to bring the College budget into alignment, the College announced another in a long history of layoffs in March 2006 eliminating 20 administrative and staff positions generating a cost savings of approximately \$1.3M per year. No faculty positions were affected by those reductions. However, the projected admissions numbers for FY 2007-08, indicated that these cuts were far from sufficient to eliminate the budget deficits. Reductions of an additional 13.5 administrative and staff positions were later identified that would have resulted in \$593,000 of annual cost savings. Despite these significant reductions in non-faculty positions, the operating deficit for FY 2007-2008 was projected to be over \$5M.

In order to cover the operating deficits for 2006/07, the College consumed \$5M of a \$10M gift made to the endowment which had been stipulated for scholarships. The

<sup>10</sup> Antioch University Annual Institutional Research Report to the Board of Trustees, October 2006.

College obtained the donors' approval to use the funds for implementation of the Renewal Plan which essentially allowed the College to apply the funds to operating deficits. However, after 2007-08, the \$10M gift would be exhausted and there was no known alternative funding source to cover the operating deficits. Therefore, additional substantial cuts among staff and faculty would have been required to eliminate the projected \$5M annual deficit for 2008/09. **Those cuts would have been so deep as to substantially impair the College's ability to provide a quality liberal arts education.**

As indicated above, one of the cornerstones of the Renewal Plan was an expanded capital campaign to fund the renovation and construction of campus buildings and facilities. Among the capital improvements viewed as most critical to recruiting and retaining students under the Renewal Plan were the construction of a new student union, new apartment-style residence halls, and the renovation of the Olive Kettering Library, North Hall and Curl Gymnasium.<sup>11</sup> Construction and renovation for such facilities were to begin with groundbreaking for the new Antioch Union and ELC facilities in September 2005. New dorm construction, and library and gymnasium renovations were to begin in January 2006.<sup>12</sup> The campaign benchmarks were not met, and so the Board was not able to embark on the plans to revitalize and reconstruct the College campus.

### **Suspension of Operations of Antioch College**

The major failure of the AAUP Investigative Report, is the allegation that the Board, College faculty and alumni were not adequately informed of the growing financial crisis.

Looking at the actions taken by the Board of Trustees over the last two decades in dealing with the declining financial health of the College, it is unfathomable that anyone associated with the College would not be aware that there was a financial emergency.

Let's look at the facts:

1. Acknowledgement of continuous severe enrollment declines beginning in 1973/74 to 2006/07 and projected 2007/08.
2. A capital campaign in the early 1990s that had to be financed by the other campuses because the College did not have the money to launch it, and apparently the Board or other alumni also did not have the money. The alumni were called upon to support the College yet the campaign did not raise enough money to sustain the College.
3. The Board's establishment in 2000 of the Budget Stabilization Committee to assist in determining ways to cut expenses at the College, and the recommendation for consolidation of services in Yellow Springs, which included central administration, the College, and Antioch University McGregor.
4. A capital campaign initiated in 2001 by the Board. Once again, the alumni were called upon to support their College. The campaign goal was originally set at

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<sup>11</sup> Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, p. 35.

<sup>12</sup> Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, pp. 38 and 39.

- \$100M, then reduced to \$65M. It brought in less than \$40M, mostly in the form of pledges. In fact, the major portion of cash contributed to the capital campaign came from two individuals.
5. The 2002 and 2006 HLC/NCA reports from the visiting teams highlighting concern over the College finances and its effect on the rest of the University.
  6. Several College presidents who spent tremendous time on the road to solicit alumni for assistance between 2000 to 2006 with little evidence of any increase in alumni giving in either major gifts or annual fund contributions.
  7. Few raises for faculty or staff during this period.
  8. No major capital expenditures, including no College facilities renovations.
  9. A College president in 2003 sharing with AdCil the budget deficits of the College and skepticism on the part of AdCil that enough resources could be raised to balance the budget.
  10. A Board resolution in October 2003 that the Chancellor, in consultation with the ULC and Renewal Commission, present to the Board in June 2004 a plan with appropriate recommendations for elimination of the College's operating deficits on or before the close of the fiscal year ending June 2006.
  11. The College announcing another round of budget cuts and layoffs in March 2006 eliminating 20 administrative and staff positions generating a cost savings of approximately \$1.3 million per year. No faculty positions were affected by those reductions. The projected admissions numbers for FY 2007/08 indicated that these cuts were far from sufficient to eliminate the College's budget deficits. Reductions of an additional 13.5 administrative and staff positions were later identified that would have resulted in \$593,000 of annual cost savings. Despite these significant reductions in non-faculty positions, the operating deficit for FY 2007/08 was projected to be over \$5M.
  12. A College president who had to appeal to a donor to release his \$10M gift to the endowment (during the capital campaign) in order to balance the 2006/07 budget and projected 2007/08 budget.
  13. A College president who in March 2006 addressed the College Alumni Board expressing his concerns over the financial problems of the College and the low enrollments.
  14. A College president who again in June 2006 shared with the alumni that over the next five years the College would need at least \$20M above tuition revenue, stating that, "We are facing our greatest proportion of shortfall in the coming financial year."

With all of this happening in broad daylight, it is astounding that anyone would have the audacity to claim he/she was unaware of the dire needs of the College and its threatened longevity.

At the Board of Trustees' February 2006 meeting, the Chancellor and the Vice Chancellor of Finance alerted the Board to serious concerns about the financial viability of the College. As noted above (#11), the College president sought permission to ask a donor who had made a \$10 M gift to the College if the donor would allow the College to re-direct the gift to close the gap in the College's budget.

Again, at the June 2006 BOT meeting, the University CFO and Chancellor provided extensive evidence that the deficit spending of the College was at a dollar figure that could not be covered by the University. At the same time, the Board advised the College president to revise the 2006/07 budget he had proposed because the revenue projections did not seem feasible. The Board asked the Chancellor to form a small team of advisors to assist the College president and his staff to examine the viability of the budget and the need to create a balanced budget.

At the November 2006 Board meeting, the College budget was approved but the College's ability to ensure a balanced budget was possible only because of the redirection of the \$10M gift from the endowment. The Board was very concerned about the short-term continuation of the College and appointed a task force of trustees to work with the Chancellor and CFO to examine alternatives, options and proposed solutions to the College deficits. The task force was called the Contingency Planning Task Force. There was enough concern about the viability of the entire institution because of the College financial situation that the Chancellor, at the November 2006 meeting, announced a freeze on all campuses' capital expenditures, new position hires, and halting the filling of vacant positions.

The Contingency Planning Task Force met via conference calls over the next three months. At the February 2007 Board meeting, the task force shared its work. The AAUP Report asserts that no options were reviewed; however, this is far from accurate. The Chancellor reviewed with the Board:

(1) Projected College Budget 2006-2011<sup>13</sup> based on the College's projected enrollments, Excess Revenue over Expenses, which indicated a deficit of \$11M for the five-year period. (2) Non-residential Projected Budgets for 2006-2011<sup>14</sup>, which indicated that the other campuses could generate only enough money to decrease the College's projected deficit by \$3M, and

(3) College Sustainability Success Measures. The Chancellor described options for various and diverse budget reductions that the Contingency Planning Task Force had created. The University administration researched the costs, savings, feasibility, and consequences of each option. The University's counsel was asked to speak on the various aspects of some options including declaring financial exigency at the College.

The Board directed the College president to implement a \$1.5M budget reduction, including a workforce reduction of \$1M minimum as quickly as possible, explore hiring outside consultants with "work-out" expertise, prepare an inventory of fixed assets, and have the College pursue new ways to reach enrollments needed for sustainability. Based on the University's cash flow analysis, the Chancellor warned the Board that, in trying to initiate a plan to cover the College's projected deficits, "Time is not on our side."

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<sup>13</sup> Exhibit 1

<sup>14</sup> Exhibit 1

In March 2007, the Chancellor hired the Columbus, Ohio, legal firm Porter, Wright, Morris and Arthur, LLP, for their expertise in bankruptcy and turn-around efforts. After reviewing all the financial analyses performed by the University CFO, the Porter Wright attorneys agreed with the CFO's projections and continued to work with the University and the Contingency Planning Task Force to make recommendations on legal options and to seek solutions to the College's financial problems.

In April 2007, on a University Board Executive Committee conference call, the Chancellor was asked to review the status of the College and the work on the sustainability plan. The College's applications and admissions for fall 2007 were below the previous year and what was being projected in the Contingency Planning Task Force's sustainability model and the annual fund were below the budget by \$400K. One Board member indicated that it would take at least \$50M in cash over the next three years to maintain the College and begin the modest maintenance necessary. There was discussion about University assets outside of the College and what the sale of certain of those could yield. There was a discussion of other leaders in academe being used as resources in the analyses. Suggestions were made of possible major donors and who would approach them.

In May 2007, the Chancellor hired Gateway Consultants Group to review the financial analyses and the sustainability models developed by the University CFO. The Chancellor felt it important to have consultants with liberal arts college experience and experience in turn-around situations. The principals of Gateway had a history of working with small liberal arts colleges. In fact, Dr. Chema and Ms. Thibodeau served as President and CFO, respectively, of Hiram College during its turn-around period starting in 2003. Another principal, Stan Hales, has a wealth of experience with small liberal arts colleges serving as a professor, academic dean, and president of institutions in California and Ohio.

At the June 2007 Board meeting, the CFO and Chancellor presented a detailed accounting of the work that the Contingency Planning Task Force had accomplished. During the Chancellor's presentation, Dr. Chema from the Gateway Group joined the discussion by video-conference. A formal PowerPoint presentation (Exhibit 1) was given to the Board and is summarized below:

Slide # 1. The historical College enrollments from 1970 to 1996, showed the continuous drop in enrollments from 1972 to 1995.

Slide # 2. The College enrollment history from 1997 to 2006, showed the drop in enrollment from 522 students in 1997 to 330 students in 2006.

Slide #3. Antioch University Enrollment history 2002-2008.

Slide #4. The Historical College Budget Analysis from 2002-2007 documents an approximate accumulated \$5.6 million deficit at the College from 2001/02 to 2005/06. (In

actuality, the \$395K deficit projected for the 2006-07 fiscal year on this analysis turned into a \$1.4M deficit.)

Slide #5. The Board was given College enrollment projections generated by the College president, from 2005/06 to 2013/14, indicating a modest growth in enrollments from 372 students in 2005/06 to 572 students in 2013/14. These projections were very generous given past enrollment efforts.

Slide # 6. Given the projected College enrollments, a financial model was built to measure the progress of the College in revenue and tuition. The Financial Analysis for the period 2006 to 2014 indicated that by 2008/09 the College would be incurring a \$5.7M deficit and continue in an annual deficit pattern so that by 2014 there would be at least a \$17.4M accumulated deficit assuming that all benchmark criteria for enrollment and tuition in the model were achieved. It should be pointed out that nothing in the history of the College indicated that the College president's projections for enrollment and annual giving figures were achievable. As stated before, the 2006/07 and 2007/08 budgets were balanced only by using \$5M each year of the \$10M endowment gift that was redirected for College operations.

Slides #6a and #6b. Two pages of assumptions upon which the above model in Slide #6 was designed were shared with the Board. The assumptions were based on past College performance and included highly optimistic annual gifts.

Slide #7. Comparative data for the peer institutions of Oberlin, Earlham, and Hampshire Colleges were shown in the areas of net tuition and fees, salary and benefits expenditures, auxiliary enterprise income, endowment assets, and total expenditures.

Slides #8a and #8b. An analysis of the University's cash flow, based on the College and non-residential projections, with and without endowment gains from May 2007 to December 2009. At this time the University had a \$2M credit line. If nothing changed regarding the College's financial situation, the cash flow analysis indicated that in October 2008 the cash flow would be below that amount indicating a \$4M deficit and by December 2009 the University could be virtually bankrupt.

Slide #9. Would there be enough money generated by the other campuses to fill in the gap of the College's projected deficits? The Board was given the 2006-2011 projected budget carry-forwards or deficits. The projection assumed that all campuses would prosper and certainly didn't forecast the economic downturn the United States is currently experiencing. Again, using these projected reserves as a potential resource did not make much of a dent in the projected College deficit over the 5-year period, indicating that the College would still show a deficit of at least \$10M.

Slide #10. Antioch College 2006-11 Projected Budget.

Slide #11. The percent of tuition generated by each campus showing a continuous decrease in the College's proportion of total tuition, and to enrollments of the University over a period of 6 years.

Slide #12. The presentation then turned to alternative resources to assist the College. (The AAUP's investigative committee interviewed a trustee who was quoted in the AAUP report as saying that the Chancellor did not allow this discussion to take place; he or she must have been otherwise occupied or out of the room during this part of the presentation.) The funded reserves were examined to determine if there was enough money there to sustain College operations. As shown on the Funded Reserve Summary chart, total reserves amounted to \$2.9M. It should be noted that the College was carrying a \$2.3M deficit in the funded reserve category.

Slide #13. The Board was first shown the reserves that over the last 15 years the non-residential campuses had accumulated, which totaled \$4.47 M. The reserves were referred to as "unfunded" because the money was spent to cover deficit spending by the College and the 1990s College capital campaign and existed on paper only. Add that amount to the prior \$2.4M of reserve deficits and the figures show that the College had used almost \$7M of reserves of the other campuses to balance its budgets.

Slide #14. The Board then reviewed a chart that indicated the restricted funds that were on the books for each campus. These were donations or grants from individuals targeted toward a specific program or project. This cash was not held in separate accounts, but merged with the regular operating funds, which is a common practice in higher education. Over the years, at least \$5M of the College's and other campuses' restricted funds had been expended to cover the College's operational deficits. This was borrowed money, as the College and the other campuses are obligated to fulfill the donors' intentions and restrictions on the donations. The non-residential campuses continue to honor these commitments with operating surpluses.

Slide #15. The Endowment Summary Report was shown, indicating the value of the College endowment at approximately \$30M, about 80% of that endowment being restricted to scholarships.

It should be noted that, as of May 2009, with the impact of the economic environment, the College endowment rests at \$19M.

Slide #16. The Board looked at the option of more budget reductions or cost savings at the College level. As indicated on the Budget Reduction Options chart, estimates were given (1) on savings if the salary/wages were frozen or a 2% reduction was initiated; (2) the amount saved if the College were not required to budget a contingency fund for emergencies; (3) savings if the retirement benefits of both staff and faculty were reduced by 3%; (4) savings if the health benefits were changed to provide for individual and not family coverage; and (5) savings by curtailing capital expenditures. The total annual savings for Antioch College amounted to \$835K, far less than projected deficits.

Also examined was the scenario if similar budget reductions were initiated at the other campuses. The potential one-time savings if all campuses were asked to take all cuts amounted to only \$4.9M. To ask the other campuses to freeze or reduce salaries, not budget contingency funds, reduce University pension contributions, reduce health care, and curtail capital expenditures would wreak havoc throughout the entire system and, in the end, only serve as a temporary solution for the College with long-term negative consequences. It was felt that to take actions that weakened the system would ultimately result in cutting off further possible resources to bring the College back.

Slide #17. The Board reviewed the University's various salable assets. The two properties near the College campus (Stanley Hall property and the "golf course") that could be available for sale were estimated at a combined value between \$500K to \$750K. An appraisal of WYSO concluded its worth at approximately \$3.5M - \$3.8M, assuming there was an entity that could be identified to pay cash for it. The three non-residential campuses that owned their own buildings still had considerable debt on their mortgages. In the unlikely event that the University could find a buyer for one of these campuses, the transaction would most likely take more than a year and the remaining profit after paying off the mortgages would be minimal, too late, and not enough money to save the College.

In addition, it would be very difficult for the Board – and we think AAUP as well – to justify to Antioch University's other 4,000+ students, 20,000 alumni and 200 core faculty that they were less worthy and their educations and jobs were less important than the College's students and faculty, not even taking into consideration the disruption caused on the campuses and the negative image this would portray not only of the University but also the College.

Slide #18. The Board reviewed the revenue and cost comparisons if the McGregor campus and the College were unified. Savings in salary and operations were barely an estimated \$1M a year. The option to merge the College and McGregor had been discussed a number of times confidentially. In the opinion of the Chancellor, the University Leadership Council, and numerous board members, merging a weak College to an institution that was now encumbered with a huge mortgage for a new facility, would in fact bring both institutions down and likely the entire University. The relatively small amount of money saved did not warrant the risk.

Slide #19. The Board reviewed the Annual Fund and Other Giving History of the College. Notice that the average annual fund amount from 2001-2007 was \$1.1M. As indicated, both annual and capital campaign records included various planned giving items and do not represent the total actual cash received that year. Clearly, any hope of raising large sums of cash from the alumni by either the annual fund or a capital campaign in the amount of time necessary appeared impossible.

Slide #20. The Board reviewed the capital requests for all campuses and the needs were great. It became evident that these needs could not be addressed until the deficit spending problem at the College was addressed. This slide is simply an exhibit of the needs and have not been approved at this time.

Slide #21. Finally, the Board was shown a slide, “Institutions in Peril,” from Stamats, Inc, which listed the criteria for determining whether an institution is in peril. Antioch College met an overwhelming percentage of the criteria.

The AAUP Investigative Report asserts that the University did not share the entire analysis provided by the Gateway consultants and that “No action was taken on the Gateway Report recommendations at the time of its presentation to the board....” Attached is a copy of the report to this document (Appendix C). The AAUP Board should be aware of at least the following contents of the Gateway report.

### Options

**The first option is, of course, to attempt to “turn-around” Antioch College.** In our judgment this would require the two-pronged approach of increasing revenues and reducing expenses. Expenses have already been significantly cut over the past several years. Staff positions have been eliminated, and capital expenditures have been minimized. It is our observation that the staff at both the College and the university level have worked diligently to make substantial budget cuts. Nevertheless, there are additional areas where expense reduction could be achieved. For example, administrative overhead by combining units of the university could achieve significant savings. Moreover it would be theoretically possible to reduce or eliminate the College’s contribution to the retirement plan (TIAA/CREF) for College faculty and staff and save additional expenditures. **While these draconian efforts are possible, they would likely not be sustainable and would only make sense if coupled with an aggressive and attainable plan for revenue growth so that sensible expense levels could be restored when revenues allowed.**

Consequently, enrollment would need to grow substantially and quickly. It would be essential to enhance the College’s admissions staff effort and to keep an excellent staff in place for several years in order to be effective. In addition, a highly effective website and marketing approach that meets the needs and expectations of today’s 17 and 18 year olds, and their parents, is absolutely necessary. Showing how traditional majors and concentrations can be accomplished at the College may help to attract potential students unclear about the individualized major concept. In any case, every effort must be made to ensure consistency in the Admissions staff and message, and that message must be targeted to that segment of the potential student population that has a predisposition to the type of education provided at Antioch. As mentioned above, the College revenue cycle is long and it will take at least two years of consistency and excellence in the admissions effort before results are likely to be seen in the numbers of the entering class. Moreover, as also mentioned above, attention needs to be paid simultaneously to the retention of students once they matriculate. This will require, among other things, serious attention to the physical plant upgrades.

**For this strategy to be successful a very significant level of current philanthropy need to be achieved to underwrite both the changes in enrollment effort and physical conditions. As we are sure you know, it is extremely difficult to achieve major grants in the face of an enterprise that appears to be spiraling downward.**

**Another option for the system might be to fold the College into Antioch McGregor.** McGregor seems to be operating successfully, and has an existing administrative structure. Saving the cost of duplicated functions and efforts would be a plus. While the two faculty bodies are distinctly different, it might be possible to merge the two institutions and come out with a larger, better consolidated entity. This option, of course, assumes that all of the steps set forth in the first option would also be taken. While the merger might provide additional savings in the cost structure which would buy time, this option also assumes substantial increase in philanthropy to carry the College until the enrollment changes resulted in substantially greater tuition revenue. **We are as skeptical about the success of this strategy as with just continuing an incremental approach towards improvement.**

**A third option, and the one preferred at this time by the university's management team, is to suspend the College's operation at the conclusion of academic year 07-08.** (The reason it was preferred by the new chancellor and the new CFO, both with strong financial backgrounds, was that both had already performed a thorough 6-month analysis of potential options and solutions and came up with the same conclusion as the Porter Wright and Gateway consultants.) In this option, the College would, prior to the beginning of the academic year declare "financial exigency" and indicate that starting at the end of the academic year the College would no longer continue to function for some extended period of time. During the period of suspension management would have the opportunity to develop new entrepreneurial approaches to providing an Antioch College experience. For example, a developer might emerge with the concept of developing a new urban village on the Antioch College site. A new higher education institution, a "reinvented Antioch" could be the center point of such a new town development. This period of suspension would also allow university officials to identify the program that a reinvented College needs to present to prospective students in order to be relevant to them. Finally the suspension period would allow for a cleansing of the ghosts that have plagued Antioch's recruitment efforts since the 1970s.

Of course, there are multiple risks inherent in this dramatic alternative. These risks include:

- System repercussions – impact of closure on other university entities' reputations
- Risk of legal actions against the University, the administration, and the Board of Trustees

- Difficulties in appropriately providing support for the existing student body. There would certainly be an immediate loss of students upon the announcement and further losses in the period between the announcement and actual shut down. Providing opportunities for the existing student body to graduate and/or continue their education would be a challenge.
- Impact on faculty and employees including costs of severance and benefits
- Issues relating to maintenance of buildings and grounds during the suspension period
- Issues relating to handling the debt of the College and the endowment
- Impact on the alumni

**While all of these and other issues must be carefully considered by the administration and the Board of Trustees prior to exercising this option, it should also be pointed out that time is of the essence. We do not believe that a fourth option—doing nothing—is a real option.** The financial assets of the institution and the good will of the institution are quickly dissipating. A decision needs to be made while there are still funds and good will available to allow for the execution of whatever plan is agreed to.

Each of the options before the University Board carried consequences for the entire University system. The Board was also cognizant that Antioch College was under the magnifying glass of the regional accrediting agency, the Higher Learning Commission of the North Central Association of Colleges and Schools (HLC/NCA). The last two accreditation reports of the visiting teams showed evidence of their concerns directly. From the 2002 report:

Antioch University is a complex institution (comprised of multiple campuses) that may be on a path of “too little, too late.” While plans for changes are visible everywhere, one is left with an overwhelming impression that the institution’s viability in the 21<sup>st</sup> century is still in serious question.

When the University received a 10-year accreditation after its regular comprehensive 2002 visit, the review team recommended a focused visit in 2006 to assess the financial stability and facilities, particularly at Antioch College. The 2002 team concluded that the institution had not adequately addressed the University’s financial situation. The team acknowledged that

“...the financial support by the non-residential campuses [for Antioch College] produces a strain on their operation, growth, and development. The non-residential campuses have the potential to prosper, but only if the enrollment and financial problems of the College are resolved. The College’s inability to meet enrollment goals jeopardizes the entire University.”

The team concluded that a focused visit in Spring 2006 should be convened to address the concerns the visiting team had in the “areas of Financial, Human and Physical Resources.” Specifically, the team’s report cited lack of financial resources and repeated

operating deficits at the College, along with deferred maintenance and the deterioration of existing facilities at Antioch College. The purpose of the 2006 focused visit was to review the plans and progress that Antioch University had made to address these deficiencies with particular emphasis on the financial stability and facilities on the Antioch College campus.

The April 2006 visiting team acknowledged that many positive steps had been taken by the University relative to its financial situation. It noted the need for hiring a Vice Chancellor of Finance/CFO who had a “strong background in higher education finances and a firm will to keep the finances in proper order.” Vice Chancellor of Finance/CFO Tom Faecke was hired in June 2006 and has led the institution through the financial challenges of these past three years.

In addition, the 2006 team reported that

“the reduction of dollars expected from the non-residential campuses to Antioch College is a right and sound decision but the ability of the College to remain financially sound without those dollars demands watching....Antioch College has benefited from numerous grants but the ability to sustain its programs and balance its budget by revenue from enrollment and the annual fund continues to demand careful attention....Deteriorating facilities and deferred maintenance continue, calling into question the ability of the College to attract and retain students in sufficient numbers.”

The team’s report called for an additional follow-up focused visit in order to address the “increased financial stability of Antioch University.” More specifically, the focused visit was to report on the College’s capital campaign, endowment growth and the health of Antioch College, including financials, capital improvements and enrollment and retention figures for the years 2006-2009.

All of these HLC/NCA reports are public record and one would have expected that the AAUP Investigating Team would have examined such evidence; however, nowhere is this information cited in the AAUP’s Investigative Report.

The Board was faced with ‘Hobson’s choice’ – to deliver an inferior educational product and risk the loss of accreditation for the entire University or to suspend the operations of Antioch College until an appropriate plan for reorganization was developed with sufficient resources for implementation. Clearly, the Board had no reasonable alternative at this time but to declare a state of financial exigency and suspend operations of the College.

The president of the College was directed to develop within 30 days a written plan and timetable to implement the necessary and justifiable budget curtailment in a manner consistent with the directives of the Board of Trustees and the Chancellor. In terms of faculty reductions, such plan shall further “be developed in consultation with the Dean of Faculty and AdCil pursuant to Section IV, B, paragraph 59 of the Faculty Personnel Policies.” (Appendix A). From the June 19, 2007, College Community Meeting minutes, college president Steve Lawry “stated that the charge [to develop a plan] comes

from declaring financial exigency and extraordinary measures had to be taken to meet contractual obligations for faculty, staff, and students....”

The AAUP Investigative Report repeatedly cites surprise and ignorance on the part of those interviewed as to the College’s financial situation. It is inconceivable that anyone connected with Antioch College could remain ignorant of the situation. If anyone connected with the College did not have grave concerns about the precarious nature of its financial situation, then he/she wasn’t paying attention and/or did not have a grasp of basic finance. Having no knowledge or understanding of the situation would indicate:

- No awareness of the dramatic decline in student enrollment,
- Failure to read or be aware of the contents of the 2002 or 2006 HLC/NCA reports (or participation in the site visit),
- No participation in AdCil meetings,
- Not paying attention during Board meetings,
- No awareness of the reasons for establishing the Renewal Commission or the purpose for the Renewal Plan,
- No knowledge of the many recent lay-offs at the College, and
- No awareness of the many College budgets and reports (both internal and external) presented to the Board of Trustees.

The AAUP Report notes that it was never explained why the declaration of financial exigency was limited to the College. The Board of Trustees, with the Chancellor and College president, concluded that a financial crisis existed at the College which threatened its survival and which could no longer be alleviated without reducing faculty and staff at the College. The College was the unit in financial crisis, not the other units, although the entire University system was in imminent danger without taking this action. Had the other units been allowed to face bankruptcy for continued financial support of the College, then there would have been no hope of reviving the College in 2012 which was the plan of the Board and the University leadership.

### **Governance Structure**

The AAUP Investigative Report states: “Following the institution of the new curriculum, and perhaps because of a growing realization that it was not to be the College’s panacea, university officials turned their attention in 2007 to the state of the university’s governance structure...” (Page 21, line 10)

Had the AAUP’s investigative team properly researched this, they would have learned that University governance has been a focus of attention for many years. As the institution evolved, its governance model experienced numerous changes, as would be expected, undergoing many assessments over the last 15 years. As already stated, the first major reorganization of Antioch University’s governance structure, which defined the administrative roles and relations in the University and at Antioch College, began in

1993 and was fully implemented by July 1994. Prior to this date, as noted earlier in this document, Antioch College was the center of the system.

Whereas the AAUP Report indicates University's attention turned to Governance in 2007, it was in 2001 that the Board's ad hoc Committee made numerous recommendations concerning University governance. In summary, the recommendations:

- strengthened the position of the Chancellor in relation to all campuses;
- mandated the preparation of a short-term financial stabilization plan;
- reaffirmed the need of campuses, including the College, to have Boards of Visitors; reaffirmed the University Leadership Council (ULC) as the University's administrative team;
- strengthened financial accountability measures for campuses and central administration; and
- authorized the start of a silent phase for Antioch College's capital campaign.

Again, the University Board of Trustees, with its majority of members being Antioch College alumni, remained the single governing body for all campuses. Indeed, the College was well-represented throughout this period by the very nature of the composition of the Board and its focus on the College.

Over the next few years, questions continued to arise from both internal and external sources about the University's governance structure. As already mentioned, the HLC/NCA Review Team's 2002 report recommended that Antioch University make a decision "about how it will be governed and managed, and then clarify the formal and informal relationships between the University, the College, the non-residential campuses, and the regional accrediting organizations."

From page 4 of the NCA's 2002 Report of a Visit:

The Team recommends the University Leadership Council strengthen the hand of the Chancellor. This would send a clear signal to all of the campus sites of Antioch University. Additionally, it would underscore the interest of the Board of Trustees in the transformation of University governance.

The Team agrees with the many individuals on the collective campus sites who suggested that greater collaboration and increased unity among campuses can only occur with strong centralized leadership and operational coordination. Without Board and/or ULC action, this Leadership and coordination would be difficult to evolve, primarily because of geographical boundaries, differences in institutional culture, and historical differences.

In reference to the College's governance system (page 15, 2.b.), the NCA's *Report of a Visit* indicated that:

The system of governance currently in use at the College slows decision-making at a time when the University needs to quickly make important decisions to ensure the viability of the institution.

Subsequent to the NCA Report, the University secured a grant from the Mellon Foundation to fund an external review panel charged with reviewing the Renewal Plan. This External Review Panel also identified governance as a concern. Specifically, they noted in their October 2004 report the importance of the need to “clarify the relationships of governance and authority between the campuses and the central administration.” Their report indicated the need for further clarity about the College President in relation to the University Chancellor as well as the relationship of the Board of Trustees to the College and to the non-residential campuses. From the Expert Review Panel Report 2004:

“As both the Board and the Renewal Commission clearly recognize, there is no guarantee that this new vision and strategy for Antioch will succeed. We entirely agree, however, that the risks attendant on this approach are worth taking. On the one hand, the option of incremental and gradual adjustment is not realistically available to Antioch. The College has struggled with achieving financial equilibrium and with attracting enough applicants for a number of years. Only a bold attempt to rethink Antioch's approach to undergraduate education offers a realistic chance for continued excellence. On the other hand – and perhaps even more important – Antioch's proposed new direction represents the kind of creative and exciting innovation that is all too rare in American higher education. By challenging the curricular dominance of departmental structures, leveraging new technological opportunities to integrate on-campus and remote learning, and reasserting Antioch's historic commitment to liberal education thoroughly engaged in society and work, Antioch offers to bring new life and new vision to a higher education system where contentment with the status quo too often dominates.”

As a result of these reports, the University Board of Trustees formed a Structure Work Group (SWG) at its February 2005 meeting. With the help of a consultant, the SWG looked at numerous governance issues including ownership of assets, accreditation, the authority of campus Boards of Visitors, the relationship between McGregor and the College, the federalist model itself and reporting relationships. At the June 2005 meeting, the SWG shared with the Board that its findings “did not make the case that (the governance) structure is the core problem...but the core challenge in the near term is the successful implementation of the Antioch (College Renewal) Plan....”

At the October 2005 Board of Trustees meeting, Dr. Toni Murdock, President of Antioch University Seattle, was appointed Interim Chancellor after the resignation of Chancellor Jim Craiglow. In May 2006, Murdock was appointed permanent Chancellor. A new University CFO was hired in June 2006. Chancellor Murdock worked with the University Leadership Council (ULC), which included the College president, to identify five areas that the University needed to concentrate on as part of a strategic plan:

governance, information technology, personnel policies, faculty development and program development.

In August 2006 (not January 2007 as reported in the AAUP's Investigative Report), Chancellor Murdock engaged the services of R. Tom Ingram, President Emeritus of the Association of Governing Boards, to study how Antioch and its various campuses were governed. During its October 2006 meeting, Chancellor Murdock held a lengthy discussion with the Board on the roles and responsibilities of Trustees.

In January 2007, Tom Ingram met with the ULC to facilitate a wide-ranging discussion of Antioch's governance (and related financial, academic and management) challenges and to recommend a structure befitting a multi-campus, private university. Prior to the meeting, Chancellor Murdock wrote a memo to the ULC, "Establishing a Framework for the Discussion of the Governance Structure of Antioch University," that was used to guide the work of the group. The framework paper articulated the questions to be addressed in the following way:

"What governing structure will result in more effective governance of a single, coherent and integrated University with campuses in disparate locations – each with its own constituencies, needs, and aspirations – that will enable them and the University as a whole to be more efficient, effective, entrepreneurial, competitive, and responsive to new opportunities?"

All of this within the context of the traditions and core values of a distinctive Antioch education or 'brand' that is compelling, cohesive, and financially viable over the long term.

Following the February 2007 Board meeting, the ULC worked for several months with Tom Ingram and an *ad hoc* Governance Task Force appointed by the Board Chair. The Task Force's progress was complicated and often interrupted during the two-year period by the Board of Trustees' deliberations and ultimate decision in June 2007 to suspend operations of Antioch College.

Originally, the proposed governance structure was to pertain to the College as well as to the non-residential campuses. However, over the course of negotiations with different College alumni groups between August 2007 and May 2008, the University administration and the Board were told that a large number of alumni donors were not willing to contribute unless the College was separated and made independent from the University. Thus, the new governance system would not include Antioch College because Antioch College alumni demanded this condition.

**Ironically, had the College remained a part of the University system and been supported by the College alumni, it is possible that this new governance structure with its campus-based boards of trustees would have prevented the June 2008 suspension of operations of the College.**

### **The Status of Faculty at the Non-Residential Campuses**

The AAUP Investigative Report demonstrates little comprehension of the University – its structure or campus life at the non-residential campuses. A number of issues at the non-residential campuses are alluded to throughout the report. In essence, there appear to be three interwoven issues being brought forward as concerns in the report. The Report suggests that (1) the lack of tenure at the non-residential campuses is a significant issue and undercuts academic freedom, (2) participatory governance on those campuses is non-existent, and (3) satisfaction with participation in University governance is very low. The following responses will address each of these issues.

### **Tenure**

There is an assumption made in the AAUP Report that the non-residential campuses want tenure or are currently asking for its implementation. To support its claim, the Report mentions a system-wide survey of core faculty conducted in January 2008 under the direction of the Vice Chancellor of Academic Affairs. Unfortunately, the AAUP Report fails to provide specifics, which are relevant in this case.

With a 64 percent response rate, the survey provided a true sense of faculty opinion on issues related to contracts, workload, and performance reviews, which were all part of the initial effort by the Blue Book Commission to secure faculty opinion. A minority of faculty (41%) indicated they would like the University to consider tenure at the non-residential campuses. Far more (77%) were interested in 9-month contracts, and well over 90% were interested in multi-year contracts. And, in fact, based on this input, system-wide faculty conversations, and the hard-work of the Blue Book Commission, the University Leadership Council and University Board have now approved nine-month contracts effective 2009-10. The University Administration will be glad to share with the AAUP Board the progress being made on core faculty contracts and work-life across the system.

### **Campus Shared Governance and Participation in University Governance**

Another erroneous statement made in the Investigative Report is that "...only at Antioch College was there participatory decision making, shared governance, and tenure." (Page 7, lines 20-21)

The only part of this statement that is correct is that the other campuses did not have tenure. The AAUP should be aware that the non-residential campuses all have governance structures that include faculty senates or assemblies, curriculum committees, faculty review committees, and other governance bodies. While it is true that these campuses do not have the long history that Antioch College has, it is insulting to make such false statements in the attempt to diminish their efforts at shared governance.

In the survey referred to above, a majority of faculty indicated satisfaction with the current system of shared governance at their departmental level (59%). On some campuses – although not all – there was high satisfaction with campus shared governance. Most concerns were around the need to build a University governance

process that enabled more faculty voice at the system level. And, since 2007, much work is being done to encourage and nurture that process.

One claim made by the AAUP Report that is true is that faculty satisfaction with participation in University governance is low. That is precisely why, beginning three years ago, Chancellor Murdock created the position of Vice Chancellor for Academic Affairs and authorized the appointment of the Blue Book Commission in Fall 2006, with faculty representation across all campuses, including the College (until June 2007).

The AAUP should know that the BBC was created specifically to address concerns about the lack of campus-wide faculty representation and input. It was established to address the faculty well-being and academic standards across all campuses. Contrary to what appears in the AAUP Report, the College had representation on this commission until the suspension of operations (faculty participating on the BBC receive an amount of money toward professional development; Jim Keen received a portion commensurate with his participation). The BBC has conducted two system-wide surveys, one in January 2008 and one in January 2009 with another likely in August 2009. Although the BBC is relatively new, it has already made great strides – moving toward recommendations regarding multi-year contracts, a regular sabbatical system, peer assessments and termination procedures to protect faculty. It has already been successful in securing 9-month contracts, new faculty workload categories, and improved non-renewal rights for faculty.

The AAUP Investigative Report has completely overlooked the good works of over 200 core faculty at the five campuses of Antioch University. It is unacceptable that the Report ignores the ways in which shared governance is practiced at the Antioch campuses and seems only to accept that which existed at the College. It is understandable that the non-residential campuses are at a different stage of development than Antioch College. Originally, those campuses' faculty had one-month contracts, but over the years, the non-residential campuses have evolved into full academic institutions in their own right, with faculty assemblies, and faculty who engage in scholarship, service and teaching. Are the campuses fully evolved? Of course not, this is an ongoing process. Have they made incredible progress over the past decade? Absolutely.

### **A Word About Campus Climate**

The AAUP Investigative Report attempts to create a case for secrecy and retribution operating on the non-residential campuses (pp 35-37). It is difficult to respond to this claim since the evidence provided for it is unsubstantiated and appears to be based merely on hearsay and perhaps from a limited source. The AAUP chapter at the Seattle campus was organized long before President Murdock arrived and then, as president of that campus, Dr. Murdock was a champion for contracts ensuring greater security for faculty. Since becoming Chancellor, she has supported the work of the Blue Book Commission (BBC) and encouraged the Board to accept multi-year contracts, which previously had been reserved solely for Antioch College faculty.

The claims made on this issue in the AAUP Report are based on shaky methodology and data collection. It would appear that only a few faculty at only two campuses were actually interviewed. Interviewing more faculty at the Seattle campus and taking the time to interview faculty at Antioch New England, Antioch Santa Barbara, Antioch Los Angeles, or the University's PhD in Leadership & Change Program would have provided a much fuller rendering of faculty sentiment across the University system.

### **Future of the College**

It must be made clear from the outset that the University Board suspended operations with full intention to see it reopened no later than 2012. The AAUP Investigative Report makes the claim that the University Board violated its 1980 Antioch University Articles of Incorporation, which cites the purpose of the corporation to "possess and carry on at Yellow Springs, Greene County, Ohio....a College or educational establishment...."

As has been stated numerous times, the College was not closed. The Board of Trustees suspended operations of the College with the full intention of reopening it at a later time when it could ensure financial stability. While it is true that the Board and the University considered options that included selling or closing the College, they were dismissed early on as inappropriate.

The events that followed the announcement in June 2007 to suspend operations of the College in June 2008 substantiate the desire of the BOT and University to explore and secure the best route to reopen the College.

At the time the decision was made, the Board of Trustees and the ULC crafted a plan for re-opening the College by 2012. Dr. Murdock began work to establish a "National Commission to Resume Instruction" at Antioch College. Prominent national figures were contacted to serve on the Commission. The Antioch College Alumni Association approached the University proposing a collaborative arrangement for the College to remain open under the auspices of the University until the College was strong enough to operate independently from the University. Over a period of five months, the University Board of Trustees and the Alumni Association Board reached agreement and established financial benchmarks.

However, by November 2007, the Board and the University were told that the major donors whom the alumni were depending on to support the re-opening were not going to contribute to the College until it was totally independent of the University, and the Memo of Understanding between the Board of Trustees and the Alumni Board was not achievable.

Following the failure of negotiations with the Alumni Association, another group of alumni with substantial wealth formed a corporation in December 2007 called the Antioch College Continuation Corporation (ACCC). Over a period of months, the Board and University leadership worked with this new group to determine the possibility of

selling the assets related to the College to ACCC without having to suspend operations. Although much effort was made on both parts, an agreement could not be reached. The ACCC then proposed to buy the majority of the Board of Trustees seats for \$1M each. The Board refused this offer as unethical and all negotiations with the ACCC ceased.

It had become apparent that the difficult negotiations during 2007-2008 with two separate alumni groups had served to undermine the Board's relationship with the very alumni needed to ensure a successful reopening of Antioch College.

At the Board of Trustees meeting in June 2008, a group of about 20 alumni, students and faculty traveled to Keene, NH, to present a case to the Board that the Antioch College Alumni Association could raise the necessary funds and plan responsibly for the reopening of Antioch College if the Board were to declare its intention to assist in securing independent status for Antioch College, fully independent of the remaining campuses of Antioch University.

On June 7, 2008, the Board affirmed its intent to assist in the transition of governance to an institution incorporated separately as Antioch College and held in fiduciary trust by a fully independent Board of Trustees. Further, the Board affirmed its intent to achieve this objective by transferring Antioch University assets uniquely associated with Antioch College, including endowed funds and property. Finally, the Board indicated its readiness to collaborate with the Antioch College Alumni Association, requesting that the Association develop the necessary process, plans, resources and timeline for the development of an independent residential four-year liberal arts college in Yellow Springs, Ohio.

At the time of this writing, the negotiations regarding the definitive agreements between the University and the BPT have not concluded. It is hoped that a conclusion will be reached by June 30. The costs in terms of money, time, and energy to the Board and University administration over the last two years in negotiating with the three different alumni groups have been substantial and serve to validate the desire of the University to see the goal of reopening Antioch College come to fruition.

### **Other Issues Needing Correction in the Investigative Report**

More than 116 items in the AAUP's Investigative Report have been identified as incorrect data or statements based on unsubstantiated assumptions. The existence of so many misstatements of fact and the evidence of faulty data collection raise questions about the quality and integrity of the research and report itself, which appears to be partly guesswork. Many of the mis-statements have been addressed in the above sections including history, the renewal plan, suspension of operations, the governance structure, status of faculty and tenure at the non-residential campuses, shared governance, future of the College, etc.

Below is a list of corrections that should be noted by the AAUP Board.

1. Page 2, line 9. **Correction:** The College faculty received compensation through the month of August 2008 (not July 2008) and were thus given 14 months with pay.
2. Page 2, line 10. **Correction:** College operations were officially suspended as of June 30, 2008. As of July 2008, the College had no students on campus and was engaged in the teach-out for 193 students (not 260).
3. Page 3, line 18. **Correction:** The Board of Governors is currently headed by Chairman Art Zucker (not Chancellor Murdock as stated in the AAUP Report).
4. Page 4, lines 19-20. The AAUP report claims that “AdCil became the governing council of Antioch College...” AdCil has always been an advisory body to the President, not a governing council.
5. Page 5, lines 13-14. The AAUP report asserts that “the Board changed the curriculum in 2004....” The fact is that the Renewal Plan called for a revised delivery system; the College faculty then created a new curriculum to fit the delivery system.
6. Page 6, line 10-13. The AAUP report implies that College endowment funds were spent on the establishment of the non-residential campuses. To do so would have been illegal and there is no evidence of a decrease in the already small endowment the College had at the time. This is a myth that has somehow managed to live in the minds of many College faculty for over 30 years. Also, as already evidenced by the financials, there was actually an increase over the last twenty years in administrative costs – in time, energy and expense – directed toward the College than to the non-residential campuses.
7. Page 7, lines 1-5. It should be noted that neither College faculty nor AAUP protested the closing of the known 32 campuses or complain about the lack of participatory decision-making by those faculty in the closing of their campuses.
8. Page 7, lines 5-8. The report states that two “programs” had been developed by Antioch College faculty: Antioch Education Abroad (AEA) and McGregor. **Correction:** McGregor started as an adult center known as the School of Experiential Learning, and was separated from the College (College faculty were never supportive of SAEL). It was placed under the Chancellor in the late 1980s along with the other non-residential campuses. The remaining four campuses were not “programs” but campuses with greater enrollments than the College and with their own administrative structures, faculty, and staff.

AEA was a program and is certainly not counted as a campus. History shows that Antioch Education Abroad was established as an office of Antioch College primarily to make travel and other arrangements for faculty who chose to lead educational tours abroad. Activities of the office were very limited and served students of Antioch College only.

The year 1972 was a pivotal time for AEA. Antioch Education Abroad was renamed Antioch International, became an independent unit of Antioch University, and established itself as an enterprise unto itself. Antioch International expanded, was operated by its own administrative staff, served to include students from outside of Antioch College, and organized its own study abroad programs

9. Page 8, lines 16-24. This section refers to the loss of the College administration to the University when the president held both positions of president and chancellor. In fact, that arrangement allowed the College to continue to be the center of the University in the system as the chancellor continued to use the other campuses' resources in order to bolster the College.
10. Page 10, line 4. **Correction:** The Sontag Fels building was given to the University as evidenced in the deed to the University, not as stated in the AAUP Report.
11. Page 10, line 4. As already stated, under the leadership of Al Guskin a capital campaign for Antioch University was initiated in the early 1990s.
12. Page 10, lines 11-15. The AAUP report treats the financial support from the other campuses to the College as a sort of franchise fee, as if Antioch University were a fast-food chain. The direct annual subsidies that came into the College varied from \$600K to \$740K.

It was not the subsidies that the other campuses and the Board were concerned about; after all, the presidents acknowledged the College's dependence on that support. What was problematic was the continued use of the campuses' reserves to fund the College's deficit, the College's inability to pay its fair share of the overhead, and its inability to repay its debt on the money borrowed from the campuses to launch the College's capital campaign. This is explicitly documented in Exhibit 1.

13. Pages 10-13. The AAUP's narrative discusses the early 2000s but it never bothers to mention that the College repeatedly missed its budget. The report notes that faculty and AdCil decided which staff positions to cut and were to reduce the budget in order to balance it. Although the College budget continued not to be met, this is evidence that AdCil and faculty were well aware of the reasons necessitating the lay-offs.
14. Page 12, lines 11-14. It must be emphasized that any criticism of the College budget by the other presidents was not about the annual subsidy but the fact that the College proposed budgets that were not balanced and far beyond its means to achieve. The end result of such poor budget planning was the need for the other campuses to fund the deficit spending of the College at the end of each year, thus continuing to deplete their own reserves. Often the other campuses were unable to offer salary increases to their own faculty because of restricted revenue while in the same time period the College proposed 6% salary raises with an unbalanced budget.

15. Page 12, lines 16-17. **Correction:** The ULC does not have final authority over approval of the budgets, only the Board of Trustees (now the Board of Governors) has that authority. In fact, there were times when the ULC received criticism from the BOT for allowing the College to propose what the BOT considered unachievable budgets.
16. Page 12, lines 17-22. **Correction:** It was because of the inability of the College leadership to submit balanced budgets or exercise financial accountability.
17. Page 13, lines 6-9. While it is true that presidents and other members of the ULC are excused during the Board's executive sessions, the campus presidents always have access to members of the Board simply by picking up the phone or going to the effort of speaking up during a Board meeting. It should not be a surprise to individuals familiar with a multi-campus system that the CEOs of each campus report to a central CEO. Standard operating procedure for Boards is that executive sessions include only the top CEO and often even that individual is excluded.
18. Page 13, line 18-20. **Correction:** The College had a controller and the budget process required that AdCil approve the budget as it always had. Again, those budgets were never met and this only caused the College's financial situation to be in crisis.
19. Page 14, lines 1-3. This is a misrepresentation of the facts. The College's Controller resigned in the Spring of 2007. For budget reasons, the University's Director of Business operations and University Accounting Deb Caraway was asked to take over some of Mr. Gilliland's responsibilities. Neither AULA nor AUSB had a controller or chief financial officer at the time of the suspension; they employed an accounting manager or a staff accountant.
20. Page 14, lines 4-24. In reference to the letter from the AAUP Antioch chapter to the AAUP national office – if the offenses by administration cited by the Antioch College faculty were so egregious, why did the AAUP not perform an investigation at that time? The University has been told that “observers” were sent to the College by AAUP. If that is the case, then those observers must have determine that action did not need to be taken.
21. Page 14, lines 17-20. The AAUP Report tries to assert that the College's budget deficit was outside of the College's control. **Correction:** The College president was always responsible, and AdCil always knew when they were ‘off the mark’ concerning the budget.
22. Page 16, lines 20-22. **Correction:** The co-chairs of the Renewal Commission, Dan Kaplan and Jim Craighow, began the first meeting noting that there “were no sacred cows.” The Commission explored many options, looking at governance, finances, community, and curriculum, among other things.
23. Page 17, lines 18-19. The AAUP report states that a professor said he was “appalled at the process by which the curriculum had been drafted.” The Curriculum Implementation Teams, lead by Dean of Faculty Dr. Ann Filemyr, consisted of a dozen or more teams and sub-teams with a roster including 40 faculty, 20 staff, 5 community government representative, and 11 students. Records indicate a wide and responsible representation, many serving on more than one committee.

24. Page 19, lines 13-20. **Correction:** AdCil and the faculty were vividly aware throughout the entire decade of the College's financial woes; however, they never came up with any alternative approaches.
25. Page 22, line 11. **Correction:** Steve Lawry was appointed in 2005 and assumed office on January 6, 2006.
26. Page 25, line 2 and 6. Any blame for lack of communication between the College president and direct reports rests squarely on the shoulders of the College president.
27. Page 26, lines 1-11. The process for financial exigency as written in the College policy handbook was followed by the College president and the Board, a handbook that has been in existence since 1993 and the College faculty have never challenged their policy regarding its alignment with AAUP regulations.
28. Page 26, lines 12-28. The AAUP report uses the term "closing or sale of a major component of the university or college."  
**Correction:** At no time was the sale of the College ever considered and, if one reads the BOT resolution, one would see that the intent was not to close the College but to *suspend operations* until such time as solid financial backing could be acquired to re-open the College. The Long Island University case has little or nothing to do with Antioch's suspension of operations. It might, however, have had more relevance if the the non-residential campuses had been sold off in order to support the College, which is what some faculty expected the University to do. Had that become a reality, those campuses might have had legal redress using the Long Island University case as precedent.
29. Page 28, lines 1-14. Again the use of AAUP recommendations as a measure to argue the continued operation of the College is flawed. The quote used by the investigative committee defines financial exigency as an "imminent financial crisis that threatens the survival of the institution as a whole and that cannot be alleviated by less drastic means."

The phrase "as a whole" is the operative phrase since it has already been shown in the financial analysis that all campuses and the University "as a whole" were threatened with insolvency and potential bankruptcy if action was not taken against the one campus that was in financial peril. As mentioned before, the threat of the insolvency of the College was cited a number of times in the two HLC/NCA visiting team accreditation reports.

30. Page 28, lines 15-20. The figures and information contained in this paragraph are inaccurate. **Correction:** Refer to the chart on page 9 that shows the non-residential campuses were providing \$740K directly to the College annually, covering million dollar deficits at the College, as well as paying for the College's share of overhead.
31. Page 33, footnote #5. **Correction:** The BBC included a member from the College faculty until the suspension of operations was announced. It should be noted that, in spite of the College having a member on the BBC, he attended only 1 or 2 meetings.

32. Page 36, lines 11-14. This is a subjective, unprofessional and inflammatory statement. There is no evidence to support the conclusion by the AAUP's investigative team that freedom of expression is inhibited on Antioch's campuses.
33. Page 38, line 7, the AAUP report wrongfully states that the faculty neither initiated nor approved the new curriculum. More information on the faculty in support of the implementation can be found on page 14.
34. Page 39, lines 12-15. For anyone to make the claim that "determinations about the college's state of financial exigency...were reached without faculty participation or prior knowledge" is to admit a complete lack of understanding of the meaning of budget deficits, as well as an admission to a very short attention span.
35. Page 41, lines 26-27. The statement "The Antioch University administration named new presidents for Antioch College without any consultation with the Antioch College faculty" is a blatant mis-statement of fact.

As documented in the AdCil minutes dated October 9, 2001, "...Interview sessions with candidate for Interim College President Joan Straumanis took place on Sunday, October 7, 2001, and Monday, October 8, 2001. AdCil reviewed over 54 response forms gathered from the community and forwarded their feedback forms to the chancellor's office for review by the chancellor and the board of trustees."

The AdCil minutes dated October 16, 2001, further document that the letter of support from AdCil providing feedback from the community regarding the candidate for interim president Joan Straumanis was forwarded to the Chair of the Board of Trustees prior to her appointment.

The AdCil minutes dated November 13, 2001, state that Hassan Nejad, in his brief to AdCil on the status of Joan Straumanis assuming the position of Interim College President, noted his projection that Dr. Straumanis would arrive on campus in February 2002 should she accept the position.

The AdCil minutes dated October 21, 2003, document then president Joan Straumanis explaining the process for the upcoming presidential search. Straumanis explains that the chancellor "...has asked Joan for a recommendation for the process, rather than having the board in charge. The chair of the search would be from the college community. The job description is also in college hands." At the departure of Interim President Joan Straumanis, then dean of faculty Rick Jurasek, as set forth in established campus practice, was appointed acting president for the period of time during which a full search for College president was performed.

In the 2004 search for president, faculty members Ann Filemyr, Jim Keen, and Hassan Rahmanian served on the search committee. A nation-wide search was conducted resulting in the appointment of College President Steve Lawry. As part of the search process, campus interviews were held with various groups of the Antioch community. Upon the departure of Rick Jurasek, Vice President of Academic Affairs and Dean of Faculty, and as evidenced by College records, on March 12, 2007, College President Steve Lawry met with the steering committee

36. Lastly, the AAUP's Investigative Report failed to mention that a group of College faculty filed suit against the University on August 14, 2007. The complaint alleged breach of the College faculty personnel policies and procedures relating to tenure arising from the University BOT declaring financial exigency and suspension of operations of the College. More specifically, they alleged that the faculty personnel policies require that the BOT adopt the "least drastic" means for dealing with the financial crisis of the College and that there were less drastic means than closing the College.

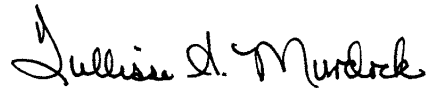
A motion to dismiss was filed by the University and while that motion was still pending, the plaintiffs voluntarily dismissed their suit on November 13, 2007. The faculty re-filed their law suit on March 10, 2008. The University again filed a motion to dismiss. The plaintiffs withdrew their motion for preliminary injunction and filed an amended complaint on April 11, 2008, seeking a "permanent" injunction. The case was dismissed in the lower court on November 26, 2008. The faculty filed an appeal and on May 29, 2009, the Ohio state appeals court ruled in favor of the University.

As with "Monday morning quarterbacking," second-guessing the actions of those in leadership roles is always tempting, and hind-sight is done at leisure. In the real world of managing institutions of higher education, in real time, some decisions are difficult to say the least and they bring a variety of consequences which have be weighed by those leaders. It is not surprising that some past trustees knew as little as they did about the non-residential campuses since the Board's agenda was always highly concentrated on College concerns and the grave issues facing that campus. That some College faculty were so ill-informed speaks to poor communication from the College leadership and lack of involvement of faculty within AdCil.

The University's response to the AAUP Investigative Committee Report is not all-encompassing in addressing the many errors and faulty assumptions contained therein; however, given the time constraints placed on the University to respond, this response presents conclusive evidence against the conclusions made in the investigative report. It is

hoped that the University's response illuminates the AAUP Board so it has a better understanding of the University, its governance structure, and the confluence of events leading to the Antioch University Board of Trustees' actions.

Signed,

A handwritten signature in black ink that reads "Tullisse A. Murdock". The signature is written in a cursive style with a large initial 'T'.

Tullisse A. Murdock, Ph.D.  
Chancellor