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AIB Board of Trustees – Special Meeting  
Wednesday, January 14, 2015  
Knapp Properties, Westown Parkway, 4<sup>th</sup> floor

Present: Chris Costa, Paul Brown, Chuck Betts, Sheila Tipton, David Casten, Randy Forburger, Mike Disbro, Rollie Dick (on phone)

Called to order at 2:33 p.m. The only member we're missing is Fred Buie.

PW mentioned that Fred needs to resign from the Board. He is on the DMACC Board and we knew it. Because of our partnership with transfer students and we didn't see a conflict. Due to the finding that AIB's biggest competitor is DMACC and he feels there is more of a conflict and since he was on that Board first, he needed to resign. We appreciated his work on our board. He'll write a formal letter and will continue to support the college. He has a role in the speaker series on Jan. 28. That's what is going on with Fred.

Sheila believes we need a letter to make a formal acceptance.

Chris -- Purpose of this meeting is to help the board understand the position of a potential merger/gift or partnership. Acquisition. Early fall or late summer.

PW -- Historically, in 2010 the board wanted us to look at succession planning. One of the options was possibly merging the college because of the economy and regulations. That idea has been around. There's a risk for tuition driven schools like AIB. 29 private colleges in Iowa, there won't be a need for that. That was before the operational losses. Again, name recognition with the college. In conversation with Chris, we're at a pivotal place. Recruiting is hard and will get harder with the funding formula. DMACC is our biggest competition and they're more affordable and now the president wants community college to be free. The more we dig into the financial picture, PW isn't as positive about fundraising. Operational budget needs to be sustainable. We've changed so much but our costs have risen with the baccalaureate and athletes. They want extra spending. Some colleges indebt the campus and then five years, someone has to buy them and pay off debt. We have 1.4m in debt. We own the most pristine property in the city as far as colleges go. Talked with Chris and the Executive Cmte.

Paid a call on Larry Zimpleman, chair of the Drake Board, and said that we were looking. He didn't seem interested. He let us know that Drake's enrollment is down quite a bit and most of it is law school. So he said he would get back and PW didn't hear from him. There just didn't seem to be much interest.

Sally Mason from University of Iowa is very interested. They're looking and mandated to grow. Their campus is in Iowa City and most have a branch and ours would be perfect for that. We're not sure what programming they would want to teach. PW shared that it was important to maintain the campus as an educational campus and keep staff. She's very excited. The wheels are turning. She worked on a Memorandum of Understanding. It's a document we would want to look at and have a lawyer look at it. At some point it would be public and to have a plan in place would be important. AIB has been through different evolutions as it has evolved and it would be an exciting opportunity.

Sheila -- The last time we met was to have a three-year plan to go forward and right the ship. What happened? Are financials so bad?

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There are a lot of challenges, Chris shared. Net dollars. What debt and endowments? 4m by the end of Aug. 15. 2m. We would have 2.5 years of cash to fund things. What does dire mean? Cut sports? That would be bad publicity. The athletic group is pushing for a facility and that will have a domino effect.

The Obama suggestion is a cloud. If they mandate that, would they give dollars to private? No, they won't. The for-profits have deep pockets. The really poor get community free anyway. The feds only want to fund 25% and states pay 75%. Where will the funding come from? In terms of fundraising, that will be the first question when I don't know what the future is.

Since the budget went out of balance, that has been PW's hesitation about fundraising. Maintenance needs could be addressed by Iowa and apartments would be good for married housing. The University would be very attractive to them.

Sheila doesn't know what the value proposition is for us. Meg has pointed out that our faculty aren't qualified. We need to discuss it.

We have 25 or less that are FT faculty and 3 that are retirement age. Accounting faculty are in discipline. Staff would be needed. What would go would be the athletics. That would be phased out right away. You'd find out quickly. 300 student athletes, not all are on the court or the field. We would honor their scholarships or at whatever point transition from AIB to Iowa – mostly important that students aren't harmed and have choices. If they want to do their sport, they could apply someplace else.

Has this gone past the president of Iowa to the Regents? PW went to visit with Sally and stressed the confidentiality of it. Sally wanted to talk to some folks. Decided it would be best to have an MOU prepared by corporate counsel. Some changes were made. Our attorney would need to look at this.

Mike – There's a net worth of AIB of facility and lands. If there was a value to that, that would go to AIB as a nonprofit. In that sense, partnership with AIB leadership or is this an acquisition where they pay AIB?

It's more of gift. Reason being that we would gift to them the assets. The college campus would become theirs.

What is the mission of the college to start with? Educational institution in Iowa. If ever it were to be dissolved, sell the property and it would be donated to another nonprofit. No value goes to any person. You would have to pick a nonprofit to gain that. What's the different of selling buildings and then giving it versus to partner and do a thing for the state of Iowa, gift of our campus and control the negotiating and dealing, remain as a higher educational facility. They couldn't sell it for a high rise in five years.

Sheila – that may be an issue, restrictions of what estate gifts can do. You would have some measure of control. It's a legal question that needs to be resolved. Regents are not amenable to having restrictions placed on their ability to do anything.

Mike – branch offices exist but Iowa doesn't have many.

Sheila -- They may be hesitant. We can ask.

Mike -- Gift or acquisition is mentioned several times.

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PW -- It isn't a gift to Iowa State or UNI. Ames doesn't need it.

Mike wanted to know if PW talked with her father. He's excited and thinks it's a phenomenal deal. It is a different deal right now. He would rather see it move up rather than out. When you look at the stats on the other private schools regarding debt -- some boards would go out and borrow in the hope that a new president or students will come. We can say this is a business decision for a partnership. Students, if they would recognize their credits. We would have to finish a certain group out.

Sheila -- This means the end of AIB, as long as we understand that.

Dave -- any restrictions on endowment? Forsythes, 60k restricted, and we would have to talk with them about that. There's a life insurance that is due the college -- it is a complicated thing with my dad's insurance that is due to the college when he dies. We don't have a lot of obligations to donors right now where they would be angry about this. This is the reason she has been hesitant to do that. Monroe Colston scholarship hasn't been restricted, using it to support scholarships. Greater Foundation may want to take that over, make it competitive for others. We don't have a set of funds. It's the name only of a fundraising event. We'd have to make a list and address them.

Next move? Motion of the board to approve further investigation of gifting aib to Iowa.

Board of Regents have to approve only, not state.

Negative -- lose of aib and legacy. Athletics. Integration of faculty and students. There's a transitional time and finish what we've got. Iowa has to get more in-state students and we have 800 of them.

Chuck -- fantastic opportunity.

Motion -- Trustee Disbro moved that the AIB Board of Trustees authorize the Executive Committee and President Williams to have the Memorandum of Understanding reviewed by legal counsel and negotiate a definitive agreement with the University of Iowa. Trustee Betts seconded. The motion passed unanimously.

Rollie? If that was the motion, I'll second. Best news of aib in the last five years. He thinks it is inevitable that colleges will disappear in the next 5 to 10 years. This is an excellent oppty to go out in glory on our terms before it becomes a crisis. In two years, we may have to take the first deal to come along. He assumed it would be another smaller college, but if we can make this work, this is a better deal.

Some colleges with tenured faculty and large donors who don't want to let go and some schools borrow to get better. Right now we can positively say we're proactively going for the future. The leadership team people won't be happy. We have to understand the big picture. It has only been since 2007 we have had sports.

Confidential -- no one talking about this outside of this room -- we need to work on what the message will be early. If it gets out and we're not in control, it won't be good.

Sally and Nancy have talked about making a joint message statement, national precedent.

Chuck -- It is a great oppty for Iowa. 40 m of assets paid for and 4m in endowment and 700 students in prime location.

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Bruce Rastetter. He's tight with Iowa State and is an Iowa grad. If he heard it from someone other than Sally. The bowl game was the plan. She last texted me and wanted to make sure we had support and she was going to talk with him. Leonard Hadley is another donor, and Marlene is an AIB grad.

They're anxious for us to sign the memo. We need to figure out who to have look at it. They'd like us to sign quickly. We need counsel beyond this.

Rick Neumann or Mark Dickinson at the Nyemaster law firm – and they don't represent colleges.

Chris – we have the Motion and a second to approve to move forward with the Iowa of merger – chuck seconded. Unanimous.

Goals: maintain as many jobs as we can

Current educational process for students – commit to athletes and scholarships and if we have to use our remaining endowment.

We won't have much endowment. They don't want us to go into debt. We'll need to be upfront with that.

If Rollie were on the Regents and looking for negative – why do you want to diminish attention to AIB. It seems this has to be pretty simple.

Quarreling – pressuring employment is a goal but not a demand.

We shall negotiate in good faith and integrate faculty and staff. Mike is comfortable. They'll try. We can't demand.

Have they looked at our financials? When they start running, recruiting won't be a problem. We have capacity of afternoon and evening classes. Our models are different.

Operating parallel institutions for a while? Sally would love to have them become AIB. We have to work through accreditation. Most schools have requirements about degree credits. Third year. A year to 18 mos to cycle it out. And at what tuition levels. Plus we're a quarter system. They could move MBA classes out there. We may be able to coexist for a while.

It's like ripping a bandage off the sore. If they could have it by August, they would like it. How willing are they to finish our kids.

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We're doing financial aid awards for this fall. Any merger, the longer it takes -- No deal gets better with time.

Mark Dickinson and Rick Neumann. Sheila will probably have to do that. We should go with who Sheila recommends. It sounds like we need to find them tomorrow. Dickinson has an excellent reputation. National firms are the other options.

It's a good firm. We're going to make the decision to call the Nyemaster firm and get Mark on the case. Assuming they don't have a conflict. Chris should be on the call.

Rollie needs to sign off. Go for it. Applaud the outcome.

(3:25 p.m.)

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Fred was excited too. He's been trustworthy to this point. Sally is doing stuff with DMACC right now.

Henry Tippy, College of Business and he was excited. Pappajohn facility. MBA? Iowa State has a presence at the Capital Square.

A gift allows Sally to get it through the Regents. It is insured for 40m.

We can't be blinded by the fact that it may not go through. It could come out quickly to talk with F&S. Negotiation will have to be voted on.

In going thru the process. August '15 is good for us, recruiting students. We've been having trouble with the athletic conference which takes effect in July and there are costs involved.

Chris – being on campus was cancelled. They wanted a tour on Jan. 26. Till we have a conversation with top leadership, you can't parade them around.

We hope alumni will feel it is good. Best we can do for the institution. Perception – we are debt-free. We need to keep doing business in case it doesn't go through.

Chris got the impression that Sally was very excited.

Paul – as an alumni, it hurts. Wish I could have done something different, but from a business deal, it is a good oppty.

History place – try to encourage. Ask, don't demand.

This summer at orientation is when a casual mention was made. Dec. 17 was when PW went to visit with her. If we thought they would sell it in a year or two, it wouldn't be given to them. Evolution thought.

Sheila moved to adjourn, Mike seconded. Adjourned at 3:41 p.m.