

MINUTES OF THE BOARD OF TRUSTEES EXECUTIVE COMMITTEE

WEBSTER UNIVERSITY

January 10, 2007

The Executive Committee of the Board of Trustees of Webster University met at Webster University on Wednesday, January 10, 2007 at 7:30 a.m. pursuant to notice sent to all members. Mr. Doug Hill, Chairman, presided.

The following trustees and administrators attended:

| | |
|--------------------------|----------------|
| Doug Hill, Trustee | Richard Meyers |
| Mark Burkhart, Trustee | Deborah Dey |
| Michael DeHaven, Trustee | David Garafola |
| Joe McKee, Trustee | Neil George |
| Jerry Ritter, Trustee | Larry Haffner |
| Bert Walker, Trustee | Karen Luebbert |

Board Chairman Doug Hill welcomed the Committee members and thanked them for their attendance. He welcomed Trustee Walker back to the Board and to St. Louis following his service as U.S. Ambassador to Hungary. He noted that by having the Executive Committee meet the day before the Board meeting the Committee would not have the benefit of hearing reports from the various committees that meet the morning of the Board meeting. Mr. Hill asked that committee chairs bring to the full Board only those matters of importance or requiring a vote of the full Board.

CAMPAIGN UPDATE – Campaign Chairman Jerry Ritter updated the Committee on the progress of the campaign. He noted that campaigns take time to advance; his efforts as campaign chair began in the spring and now we have a strong organizational structure to support the campaign efforts. The Board Fundraising Campaign, under the leadership of Doug Hill and Ed Glotzbach, is making excellent progress with 75% of Board members solicited. The remaining members will be contacted during the coming months with a goal of 100% participation. Corporate solicitations will follow those of the Board. The Individuals solicitation Committee, chaired by Bert Walker, will begin its activities in late winter or early spring of 2007. During the quiet phase of the campaign we have raised approximately \$14 million, or 19.5% of our total campaign goal of \$75 million with \$5-6 million raised for the capital projects.

FRAUD UPDATE – Mr. Garafola briefed the Committee on the recent fraud. He prepared a five-page report for the Finance Committee meeting tomorrow. The Audit Committee will also review the report. A member of the Finance Department discovered two irregular invoices on September 14, 2006. He immediately notified David Stone, Director of Facilities Planning, who began the investigation. Since the invoices referenced “Paric,” the University notified Joe McKee, President of Paric Corporation. The investigation revealed fraudulent signatures on the invoices of a Paric Corporation employee and Webster’s Vice President-Finance. Working together, Webster University and Paric Corporation engaged an external investigative team. Within 24 hours the team identified a fraudulent bank account and activity, with the name of the Webster University employee as owner of the bank account. Immediately, internal investigators secured the employee’s office and personal computer. The employee, Malcolm Murphy, immediately resigned his position and was escorted from campus. Internal investigation and audits proceeded and the Federal authorities were notified. Federal agencies recommended that the Office of the Postmaster General pursue prosecution. On November 30, 2006, the U.S. Attorney indicted Mr. Murphy and he was arrested on December 6, 2006. Mr. Murphy posted bond and is awaiting trial. The fraudulent payments began in August, 2003 with \$10,000 and totaled \$629,000 over the years. The University’s insurance carrier will reimburse all but \$1,000 of the loss.

Several new policies and procedures are now in place as a result of this incident. Fiscal management and the technical management of construction projects have been divided. A new construction payment process

has been developed which includes improved record keeping and lien waiver collection procedures. Accounts Payable is working under stricter controls including a more formalized signatory process. Background checks will be implemented. Mr. McKee noted the importance of background checks.

Mr. Ritter moved and Mr. DeHaven seconded a motion to move into Executive session. The motion passed unanimously.

Following a motion to move out of Executive Session, the Committee continued its meeting in open session.

SUCCESSION PLANNING – President Meyers reported on the Succession Plan that the University has in place. In the absence of the President, the Executive Vice President shall perform the duties of the President. The University Bylaws specify “the President shall be elected by the Board.” The University Policy Handbook specifies the processes for presidential and vice presidential appointments:

The President is appointed by the Board of Trustees on recommendation of a committee consisting of five Board members selected by the Board of Trustees, five faculty members selected by the Faculty Senate, three Administrators selected by the Administrative Council and two students (one graduate and one undergraduate), in a consultative capacity selected by the Committee on Student Affairs.

The University Policy Handbook specifies that the President hires/appoints senior administrators (Vice President level). In most instances, the University forms a search committee for vice presidents and deans. The search committee consists of faculty, administrators, staff and, if appropriate, students. The search is national in scope; however, internal candidates are given serious consideration by the committee. In the case of dean searches, the search committee makes a recommendation to the Executive Vice President/Vice President for Academic Affairs, who confers with the President in the selection. The faculty must be major players in these searches.

Mr. Burkhart observed that this process develops a shallow pool of candidates with no internal grooming for executive positions. He noted that recently some searches for president/chancellor positions have garnered a very limited number of applicants. Dr. Meyers responded that public institutions seem to have more difficulty recruiting candidates than private institutions. Mr. Ritter noted that since most trustees come from the corporate rather than the academic world, they do not have a comprehensive understanding of the search process. After discussion, Mr. Hill suggested that the Executive Committee ask a consultant to brief them on the presidential search process. Dr. Meyers recommended Janet Greenwood of Greenwood and Associates; she has served as a consultant to the University for several high-level searches. Mr. Hill asked Dr. Meyers to invite Dr. Greenwood to the April Executive Committee meeting.

ASIAN TRIP – Webster University’s programs in China focus on our international mission meeting the needs of a local marketplace and providing a unique global perspective for MBA students in Shanghai, Shenzhen, and Chengdu. Ten years ago, the Webster MBA was the first U.S. accredited program in China to be officially recognized by the Chinese Ministry of Education. With its current enrollment of 200 students, the Webster program is one of the largest MBA programs in China. The Shanghai campus, in partnership with Shanghai University of Finance and Economics (SUFE), has 800 graduates to date; since its beginning in 2003, Chengdu has graduated 84 students with 37 planning to graduate in spring 2007.

Webster-China also serves as one of the most popular faculty development opportunities within the University. Twenty-five faculty from Webster locations have taught courses in China. Over 40 Chinese MBA students have participated in a special St. Louis summer exchange program. Webster has recently signed a five-year extension agreement with SUFE to continue its graduate studies partnership. SUFE hails this ongoing partnership as the longest Chinese-American graduate studies partnership in Shanghai. A ceremony recognizing the Webster University/SUFE partnership will take place as part of SUFE’s 90th anniversary celebration in the fall of 2007. SUFE wants to send undergraduate students to Webster in St. Louis in the future once visa issues are settled.

Recently, Webster University established a wholly foreign owned limited liability company (WFOE) named Tung Tu (“gateway” or “arch” in Chinese) Enterprise Management Consulting within Shanghai, China. This entity provides the administrative, financial, and legal platform to support our Chinese operations.

Dr. George and Mr. Garafola recently returned from a trip to China. While in China, they renewed the academic contracts and negotiated the terms of the management consulting contracts for services provided by the WFOE, including methods of repatriating funds to the U.S. from China. SUFE has agreed to make payments to Tung Tu Management Consulting for services. Through November 30, 2006, Webster’s accounts receivable due from SUFE total \$756,000 and during the recent Asian trip, the University received verbal agreement regarding SUFE’s commitment and ability to distribute these outstanding funds in renminbi (Rmb). Shanghai International Studies University partners with Webster for undergraduates to study Chinese language courses while in residence in China.

Dr. Meyers noted that the RCGA is considering a trip to China. SUFE has agreed to help coordinate such a trip. There is a high potential for giving among alums in China although there are no laws for this.

Ambassador Walker asked if the University had any fund raising possibilities in China. Dr. Meyers responded that such activities would be possible when the donors have a tax advantage.

Thailand –

Thailand is the University’s only full-time residential and study abroad destination in S.E. Asia, meeting the needs of Webster’s mission to teach to a diverse population of students, enhancing student and faculty mobility, and teaching unique programs with global perspectives. A total of 350 study abroad students have studied at WUT since opening in 1999, and at any given time, students from 300-35 different nations populate the campus. It has the highest number of study abroad students from Webster U.S. Thailand is also a popular study abroad destination for our European students with an average of ten European students studying at WUT each year. WUT serves as a popular recruiting starting point for many Asian students. Approximately 20% of students that begin their studies in Thailand choose to transfer or study abroad at one of the European campuses or the St. Louis campus to complete their degree. Webster has the only American degree program in Thailand and has dual accreditation from both the U.S. and Thailand. The Bangkok Center, which was delayed in opening, now has 200 enrollments. That campus should have a negative cash flow of \$80,000 this fiscal year, a significant improvement from previous years.

Kit Jenkins, Director of Webster University-Thailand, will return full-time to the faculty in the School of Communications at the St. Louis campus for Spring II. David Morgan begins his position as Director on Feb. 12, 2007 at the Cha’am/Hua Hin campus of Webster University-Thailand. Mr. Morgan served with our partner institution in London, Regent’s College, in a variety of positions over sixteen years, most recently as Interim President/CEO. He is conducting a thorough review of WUT. A report on further evaluations will be given at the April 12, 2007 Board meeting.

REPORT OF THE PRESIDENT –

Dr. Meyers noted that the Board meetings are to be educational. The January 11, 2007 Board meeting will focus on the Old Post Office and Webster’s campus. Mayor Francis Slay, Jim Cloar (Downtown St. Louis Partnership), Dick Fleming (RCGA) and Peter Sortino (The Danforth Foundation) will join us during lunch to share their perspectives of the revitalization of the downtown area. Dr. Meyers suggested that the April 12, 2007 meeting be held at the Winghaven campus to give Trustees an “extended campus” experience.

There being no further items for discussion, the meeting adjourned.

The Committee met in Executive Session.

Respectfully submitted,

Mary Birkenmeier, Recording Secretary

Karen Luebbert, Secretary of the Board