

January 7, 2009

Greetings everyone:

Happy New Year to all you. I'd like to start 2009 with some more thoughts about WesternU's Benchmarks of Value, which I've been sharing with you on a regular basis for the past couple of months.

As you know, nations the world over are dealing with the fallout from a global recession, including layoffs, budget cuts, business closures and construction delays, to name but a handful of the symptoms caused by these economic doldrums.

Specific to the world of education, one need not look far to find colleges and universities reducing payroll, cutting budgets, freezing hiring and/or wages, or capping enrollment to adjust to the poor economic conditions. Universities that rely substantially on endowment-related income for funding have been especially hard-hit, as uncertainty in the markets has put many endowment investments into a downward spiral. Too, publicly funded universities are feeling the pinch, as state education budgets become more and more strapped thanks to reduced revenues and increased costs for other programs.

Compounding the situation are financial scandals like the one involving Bernard Madoff, whose firm allegedly used billions of dollars invested by schools, individuals and nonprofits to run what amounted to an elaborate Ponzi scheme. Losses in the scandal are estimated at around \$50 billion; its victims reportedly include several high-profile institutions, including Tufts University and Yeshiva University.

But there is bright light to be found amidst all this gloom, and it's coming out of places like Western University of Health Sciences. Thanks to its conservative investment strategy, sound financial leadership and position as a leader in health-sciences training, WesternU remains on solid financial footing despite the economic turmoil. The graduates we produce - health-sciences professionals - remain in high demand, and our applications and enrollment are up. The availability of federal aid for education, and WesternU's 0% loan default rate, are reassuring signs for our constituencies. And as a tuition-driven university, our funding for operations is not as vulnerable to market fluctuations as schools that rely on large endowments.

The University has no exposure to losses associated with the demise of the Madoff firm's portfolio. Our investment portfolio continues to follow a philosophy applied prior to the hypervolatility that financial markets currently are experiencing. This approach focuses on preservation of capital with moderate levels of risk and return. It is not one of assuming risk in efforts to capitalize on speculative, high-yield opportunities.

This sensible, conservative tactic in managing University finances is one of our benchmarks of value, sustaining stability and increasing confidence in our mission going forward. It's a real source of comfort to know, as we enter the new year and as we get ready to launch new ventures and dream of even more, that we continue to be on the right track.

As always, I welcome your feedback on this topic and any others as we discuss WesternU's Benchmarks of Value, and our plans.

My best to you all,



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### Replies to this Post:

I am responding to Dr Pumerantz's email about benchmarks and Western U's conservative investment strategy. This is a great relief to hear about the stability of the university finances in the midst of the problems of our world economy. It has been at the back of my mind, wondering when/if the shoe was going to drop here and financial trouble would affect my education. Three cheers for whoever oversees university investments! I've been thinking about how all the great religions teach that gain without work, ie speculation, is a bad idea. Chickens do come home to roost.

Craig Thom