



Message from the President

October 6, 2008

Dear Faculty and Staff:

Undoubtedly, all of you have seen newspaper stories or have heard about the impact on colleges and universities of the turbulence in financial markets. I'm taking this opportunity to shed some light on where and how Babson might be impacted.

First, and most important, the financial state of the College is sound. Moreover, we have a process in place to deal with ongoing financial challenges. In July, I set up a senior financial group, chaired by Phil Shapiro, our Vice President for Finance and Chief Financial Officer, which meets regularly to review financial issues that are strategic and have a major impact on our programs and activities. I am part of the group, as are Shahid Ansari, Bob Fogel, Richard Voos and Carol Hacker. We also have set up an operating level financial group, with senior managers from all programs and major support areas, chaired by Phil and Bob, that is working on financial issues including timing, operational, coordination, control, and process issues. These two groups ensure that we understand and act in concert on all aspects of our financial operations, and that we remain vigilant as the current situation continues to unfold and further impact the economy.

Still, many of you may have questions about ways in which Babson could be affected, so we have provided some answers below.

What is the impact on our endowment?

Similar to other schools, we have seen recent declines in our endowment, especially in the past two weeks. However, we need to keep this in perspective. Although our endowment has certainly declined in the past few months, it has increased on average 9% each year for the past 3 years.

Also keep in mind that the endowment is a very small portion of our operating budget—and in the past few years, the “draw” from our endowment (revenue for our operating budget) has been below our actual earnings. This has provided a financial cushion for when we see downward movement in the value of our endowment.

Given the extreme fluidity in the markets, we are closely monitoring the situation, planning carefully for the future, and being prudent in our spending and commitments.

Will students be able to secure the financing they need to attend Babson?

This year we saw more of our U.S. students applying for aid and we are anticipating another uptick next year. Our commitment to financial aid is as strong as ever—we were able to meet 97% of the aggregate need of this year's incoming undergraduates—but we realize we may

need to spread our grant dollars over a larger pool of students.

The credit crisis affects our interest costs negatively and also presents challenges for students and parents seeking education loans. The good news is that the federal government recently increased the amounts that students can borrow through the Federal Stafford Loan program, and both that and the Federal Parent Loan for Undergraduate Students (PLUS) program are secure. Less secure is the private education loan market, and those without good credit, or those international students who do not have a U.S. co-borrower, will have limited choices. As always, we will work with students to identify the best options based on their individual circumstances.

What does this all mean for our fund-raising efforts—our *Babson Rising* campaign and *The Fund for Babson*?

As a College, we have never fully capitalized on our fund-raising potential. Consequently, while we may see the rate of increase in donor giving slow down as a result of market volatility, we should not see absolute declines in giving. Moreover, we are continuing to aggressively cultivate large donors, many of whom are less likely to be affected by the current situation in a major way. In short, while we may not be able to get to the rate of increase we projected earlier, we are still likely to see healthy gains this year.

The bottom line is that the current state of the market does not change our long-term vision for Babson—or our ability to attract the resources to realize this vision. In fact, the current situation only underscores the need for us to be prepared to reap the benefits when financial and economic conditions improve by having a compelling strategic vision to take to the world at large. Through our strategic conversations, we are redefining who we are and the products we can deliver to our constituencies.

Finally, I will update you in the coming weeks on any significant developments pertaining to Babson's financial situation. We will continue to manage this closely and will inevitably have to tighten our belts to counteract increases in interest costs from the current credit crisis. In the meantime, if you have any questions, please contact me or Phil.

Sincerely,

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Message from the President

November 20, 2008

Dear Staff:

Thanksgiving is fast approaching. It's been a very busy fall on campus and I'm sure you're looking forward to a well-deserved chance to relax with family and friends.

Before we take time off for the holiday break, I want to provide you with a few updates.

Babson's Finances

It has become increasingly clear that the months ahead will bring challenges, both short-term and long-term. To keep you well-informed about Babson's finances—and particularly how they are being affected by events in the marketplace—a set of slides, expanded and updated from those presented at the November 4 town meeting, are available at www.designingbabson.com on both the faculty and staff discussion boards. A link is also available on the portal.

We will continue to monitor our financial metrics and be responsive to developments going forward. Our endowment, which was valued at \$216M on June 30, 2008, was valued at approximately \$175M on October 31. The direct impact of this loss will not affect us immediately (largest impact in FY11), however, we are taking a closer look at ways to mitigate those budgetary impacts now. There are many assumptions that go into planning our budgets, and many will be impacted by the dramatic downturn in the economy and the increasing pressures on our endowment. We will continue to examine the impact of tuition, room and board rate increases, not only as a function of revenue, but also how they affect our incoming and returning students and their families. Other areas that receive our continual attention include executive education business, fundraising, salaries and benefits, energy, and our debt costs. We all need to recommit ourselves to fiscal responsibility with regard to our planning and spending, not unlike many institutions and households across the country. We will keep you updated on continuing developments and how they might impact Babson College.

Designing Babson

Designing Babson, our strategic conversation about the future of the College, has gone far better than we could have hoped back in September. From its starting point—the five-page strategy document I sent you two months ago—we have had participation from all of our constituencies with really rich feedback and input in a variety of areas.

Friday, November 21, marks the end of the first phase of our strategy process. We've held a total of 22 separate meetings with faculty, staff, students, alumni, and governance—with two final faculty sessions today—as well as ad hoc meetings with parents and employers.

Additionally, we've held discussions online, including a web chat with alumni worldwide. We'll be taking time after the Thanksgiving break to review and reflect on all the ideas and suggestions and to assess where we are today.

In January, we will send you a paper with a more fully-articulated strategy, taking into account what we have heard and outlining next steps, including MCFE projects for undergraduates and graduate students in the spring focused on some of the most promising ideas raised in the fall. At the same time, our strategy will continue to be a work in progress, and your ongoing feedback will help by providing useful ideas and suggestions as we go forward.

Global Initiatives

When I became President, Babson had memoranda of understanding with many institutions globally, only some of which resulted in substantive initiatives. We also had limited interactions around signature projects like the Global Entrepreneurship Monitor (GEM), Symposium for Entrepreneurship Educators (SEE), and Successful Transgenerational Entrepreneurship Practices (STEP). These global relationships, however, have never been part of a holistic Babson approach to entrepreneurship education.

Going forward, we are attempting to have a much better-funded and more substantial international presence through a smaller number of strategic partners aligned in a Global Entrepreneurship Education Network. This network can serve as the primary development and global dissemination vehicle for the *Babson Way* of management education, serving as the foundation of our outreach to entrepreneurs, educators, executive education clients, and other interested parties around the world.

We have begun discussions with a number of alumni and others in various parts of the world to assist us in developing the financial resources to establish a Babson presence in their regions—Latin America, Eastern Europe, Russia, the Middle East (Dubai, Abu Dhabi, Saudi Arabia), South Asia, Africa and China. You'll be hearing more from me in the coming months about our progress in building the Global Entrepreneurship Education Network.

Advisory Committee on College Priorities (ACCP)

On another front, acting on a recommendation from the faculty governance task force, we have created an Advisory Committee on College Priorities (ACCP). This committee will advise me and my Administration on the College's strategic priorities—making recommendations on issues and choices based on a college-wide perspective. In the first year, the 16 member committee will consist of 6 faculty members (including 2 department chairs), 1 graduate student and 1 undergraduate student appointed by their representative governments, 2 staff members who are not members of the President's Cabinet, 2 alumni members (one undergraduate school and one graduate school), the Provost, Executive Vice President and Executive Dean, Vice President for Finance, and the Budget Director *ex officio*. ACCP members will be selected over the next few weeks and the Committee is expected to hold its first meeting in December.

The direct engagement of these community members in the budget process will provide a broader view of strategic decisions as we allocate resources for the College. Its members will solicit views of staff, faculty, students, and alumni, and I also see the ACCP as helping to build a high level of awareness of budgetary matters throughout our community. As part of our own experiential learning, we will revisit how effectively this new process is working at

the end of the year and see if we need to adjust or modify it in any ways.

Finally...Have a Terrific Holiday!

Again, I hope you will enjoy your time over the Thanksgiving break, and look forward to seeing you back on campus after the holiday. In the meantime—and in the spirit of this holiday—I want to thank all of you for your hard work in helping to build a vibrant Babson community.

Sincerely,

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