

April 3, 2009

To Colgate Alumni/ae,

Last weekend Colgate's Board of Trustees met over the course of three days to discuss important topics in academic and student affairs, from the suggested refinements to the Core curriculum to the ways in which the university's career services office is positioning itself to meet the needs of our talented students in a tough economy. I write this letter, though, to give you an update on two critical topics about which I have spoken with many alumni/ae in recent weeks – the presidential transition and Colgate's response to the economy.

This is an important time for Colgate, not just because of the challenges before us, but because of the opportunities as well. Colgate today is on a strong trajectory as a leader in higher education, thanks to effective leadership and a strategic plan that has guided our climb. We have made great gains in recruiting and admitting outstanding students who have the "Colgate DNA" of being smart, engaged, and proactive. Our 25 Division I athletic teams compete for league and national titles; our artists, debaters, and scientists are earning recognition for their creative and cutting-edge work. These achievements, and our community's refusal to accept a slowing of our momentum, make our handling of the presidential search and the university's budget even more critical.

The search for a new president

Over the past seven years, Colgate has prospered thanks in large part to the leadership of Rebecca Chopp and her ability to pull the Colgate community together around big ideas and issues of global importance. She has been a powerful advocate for Colgate and an outstanding partner to me and to the board as well as the whole Colgate community. I am thankful for all that she has done to amplify Colgate's excellence and, as we search for a new president, we are confident that she is leaving Colgate in a strong position as a leader in higher education.

We expect the search for a new president to take six months to a year. The board was very pleased that Colgate's Provost and Dean of the Faculty Lyle Roelofs has agreed to serve as interim president during this important transition. In his five years at Colgate, Lyle has overseen faculty initiatives, the curriculum, information technology, athletics, the library and instructional budgets and we are confident that he will continue to advance Colgate's strategic initiatives as interim president.

Board Vice Chair Peg Flanagan '80 is leading the search for the next president and is currently working to form the search committee while gathering as much information as she can about the Colgate community's hopes and aspirations for the university and for the next president. She has hosted meetings with alumni, faculty, students, staff and members of the local community. An email account, pressearch@colgate.edu, and a website www.colgate.edu/pressearch have been established to provide everyone with a mechanism to share their thoughts about the search and about Colgate's future.

We are at the very early stages of this search, but I encourage you to reach out to Peg or me, using the email address above or the response form on the website. The board is highly desirous of finding effective means of enhanced alumni/ae engagement and I hope you will take the time to provide your direct feedback as we get this search started.

A balanced 2009-2010 budget

At our meeting the board approved the university's 46th consecutive balanced budget, honoring a tradition of responsible fiscal management while navigating the most severe economic downturn in at least a generation. The challenge in developing this budget was ensuring an excellent academic and extracurricular experience for our students in the face of significant pressure on the university's three principal annual revenue streams: student charges, endowment support and unrestricted Colgate annual fund contributions.

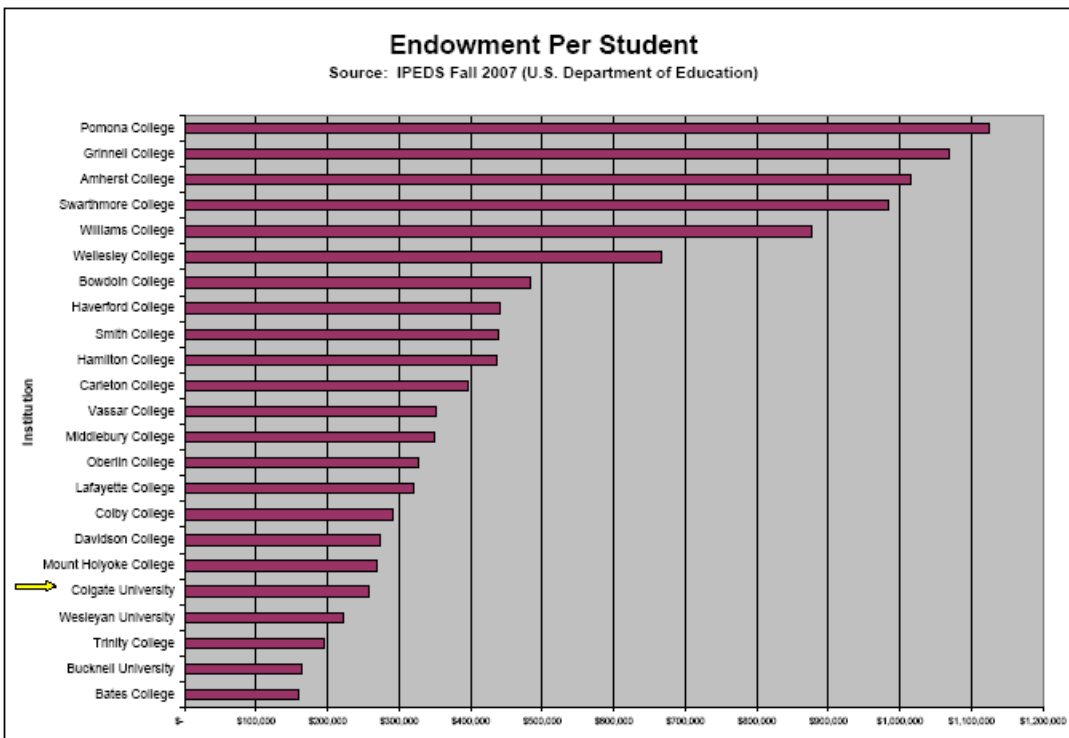
Endowment assets

Throughout the winter and spring there has been wide reporting of the decline of university endowments and the resulting pressure put on campus budgets. Colgate has not been immune to these negative market forces but we believe we have fared somewhat better than many of our peers. For the trailing 12 months ended February 28, 2009, Colgate's endowment performance was -20.1%, compared to the S&P 500 index which lost 43.3%. A truly valid analysis of our relative performance will not be possible until this summer when our peer schools report their fiscal year end numbers which incorporate devaluation of illiquid investments. Our actual performance has, however, been substantially better than our policy index thanks to beginning the summer of 2008 with a 10% cash position and some benefits from manager selection. Relative positive performance is small comfort however, when our endowment has sustained significant losses. Taking a slightly longer term perspective, Colgate's endowment performance over the trailing three year period ended February 28, 2009, is flat, or 0.0%, while the S&P index is down 15.1% over the same period.

We value and have benefited from the significant contributions to the endowment that many donors have directed to Colgate. This generous support has created endowments to support financial aid, the faculty, athletics, a variety of student programs and the operating costs of new buildings. Thanks to those contributions and our best efforts to steward them, Colgate is in a strong relative position. The drop in endowment value, however, puts great pressure on Colgate's other sources of revenue – student charges and annual fund contributions.

Managing student charges

Student charges represent about 65% of Colgate's operating budget, a number that is higher than many of our peers due to the fact that we have fewer endowment resources on a per-student basis. As you can see in the chart below, this means that we are working to provide students with an experience comparable to, and in some aspects more robust than, wealthier schools while drawing from a smaller revenue stream.



While this relative position puts extraordinary pressure on student costs, we are committed to keeping Colgate's charges within range of our peers. In fact, although Colgate's total charges are in the top 20 nationally – not the top five as has been rumored – there is only a \$2,000 difference among the top 20 liberal arts colleges in the country. See the chart below. Given Colgate's low position relative to peers and the national private universities on an endowment per student basis, it is not prudent for Colgate to regularly charge less than most of our peers. We are keenly aware of the high cost of private higher education, however, establishing prices that are significantly lower than our wealthier peers is not a sustainable strategy for Colgate and not beneficial to the experience we offer Colgate students.

In developing the budget for next year there was a strong commitment to minimizing the impact on Colgate families. To this end, the increase in student charges for next year is limited to 3.6%, the third lowest increase in 30 years at Colgate. This is well within the range of our peers, most of which have announced increases in the 3-5% range. See the chart below. Given Colgate's endowment position relative to its wealthier peers, it is remarkable that we are able to provide a competitive education at a comparable cost.

2008-09 TUITION & FEES PLUS ROOM &
BOARD
ARRANGED IN DESCENDING ORDER

Sarah Lawrence College	53,450
George Washington University	50,342
New York University	50,282
Georgetown University	50,700
Carnegie Mellon University	49,614
Boston College	49,560
Barnard College	49,464
Scripps College	49,450
Tufts University	49,358
Bates College	49,350
Columbia University	49,306
Johns Hopkins University	49,278
Washington U. St. Louis	49,274
Wesleyan University	49,270
Skidmore College	49,265
Vassar College	49,250
Middlebury College	49,210
Colgate University	49,170
Haverford College	48,975
Bennington College	48,950
University of Chicago	48,798
Rensselaer Polytechnic Institute	48,720
Mt. Holyoke College	48,686
Trinity College	48,624
Bard College	48,580

Colgate's sticker price is high. There is no question about it, but it is important to take into account the university's commitment to financial aid. Colgate's policy to meet the full financial need of every student it admits consistently draws attention as a "best buy" from *U.S. News and World Report*, *Kiplinger's*, *Princeton Review* and others. To keep our commitment to being a best value school, we have actually increased the financial aid budget so that we can admit more aided students in the incoming class and meet the need of current students who may now qualify for more aid.

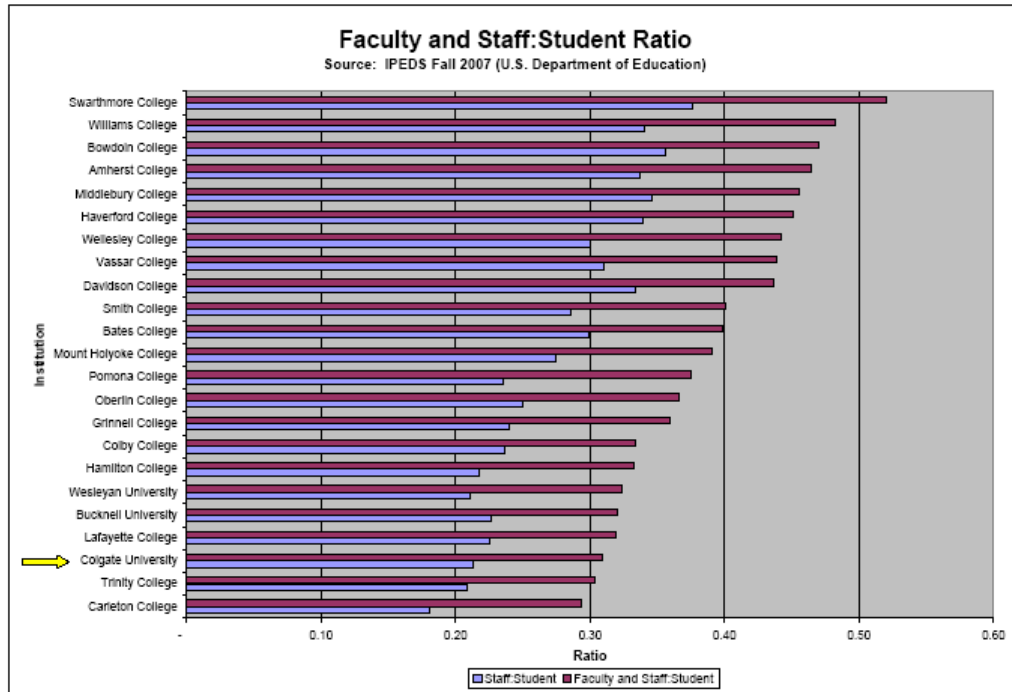
The final source of revenue is gifts provided by Colgate alumni/ae, parents, students, and friends. There is a history of generous giving to the annual fund and we are fortunate that the Colgate annual fund has grown in recent years, providing critical support to the operating budget. While the state of the financial markets gives us concern, we are encouraged by what we are seeing in terms of alumni/ae response to the call for annual fund support. The bar for support has been set high by those who know Colgate best – our students. Last year's seniors set a class participation record of 94% and this year's seniors are on pace to beat it. This is good news as the Colgate annual fund provides critical operating budget support that allows us to maintain many of the commitments outlined above.

Managing costs

In facing the reality of extremely tight revenues, it was clear that the university was going to have to reduce spending in order to balance the budget. Fortunately the administration moved quickly and announced several initiatives to close the gap, saving approximately \$5.5 million for 2009-2010. These measures included a 5% decrease in non-compensation divisional operating budgets; a \$2 million reduction in the annual allocation to capital project reserves; a hiring freeze for all open staff positions; and tight controls on salary increases.

Colgate's most significant expenditure comes in the form of compensation but this is another case where peer comparisons are critical. Colgate's faculty and staff have grown in recent years and these new positions have been added in line with the university's strategic plan. Colgate has hired new faculty to teach in emerging academic areas and to keep our student-to-faculty ratio at a level that ensures our students continue to have access to the best teachers and researchers. New staff members have been hired in such strategic areas as athletics and student affairs, to ensure that Colgate is providing an outstanding out-of-the-classroom experience for students as well.

These additions have been critical but not expansive. In fact, when looking at Colgate's peers, we still have far fewer faculty and staff per student. Colgate faculty members teach more courses than those at many of our peer institutions and our staff is stretched more thinly, which you can see by reviewing the chart below.



These are challenging times but I assure you that Colgate’s trustees and administrators are working closely and tirelessly to ensure that the university is positioned to maintain its excellence in the face of unprecedented economic challenges. Colgate has a tradition of exceeding expectations and doing more with less. Such a commitment is perhaps more important than ever.

The steps outlined above were important to the university’s effort to restructure the budget in such a way that reduces costs while maintaining Colgate’s commitment to excellence. It is important for Colgate to explore every option as scenarios are developed for the strategic realignment of Colgate’s operating budget. To this end a campus working group has been charged with considering and developing options that will enable Colgate to operate in long-term financial equilibrium while continuing its pursuit of academic excellence.

Alumni/ae engagement

I provide you with this background and update on the steps being taken by Colgate’s board of trustees and administration as part of the effort to keep you informed about and engaged in the health and future direction of the university. All of these actions are taken within the broader context of higher education and in line with Colgate’s goal of providing an exceptional liberal arts education to the nation’s best and brightest students.

Colgate has to do more with less in very real terms, but it also means that we all have the opportunity to make a difference and directly impact the student experience, whether it is by mentoring a student during the economic downturn, advocating for Colgate with parents and students in your community, or by giving back through philanthropy. As you can see from what I have written above, every point of engagement counts and positively impacts the student experience. Now is the time for us to come together and engage in an open and productive dialogue about the university’s future. Using the means referenced above, I encourage you to share your questions and comments about the presidential search, Colgate’s

navigation of the current economic environment, and how we can work together to make the Colgate experience even more exceptional.

Robust alumni/ae engagement is critical to our future and I thank you for all the ways in which you have supported Colgate and our students.

Sincerely,

A handwritten signature in cursive script that reads "Chris Clifford".

Chris Clifford '67
Chair, Board of Trustees