Reference Data Regarding Mills Comparable Financial Health

school	bond debt (millions)	notes and line of credit balance (millions)	total debt	net assets (millions)	annual operating revenue (millions)
Mills College	24.2	7	31.2	303	56
Holy Names University	44	0	44	38	28
Agnes Scott College	57	1	58	310	63
Sweet Briar College	12	2	14	121	28
Whittier College	0	55	55	212	64

*note Holy Names had a $17 million balance on its line of credit in 2019, but they issued bonds in 2020 to pay it off

Excerpts from Trustee Eric Roberts' Declaration
August 16, 2021
(See full Delcaration in the later pages of this document)

Responses from Dr. Matthew Hendricks,
Departmenal Chair of Economics, University of Tulsa

3. As addressed in detail below, absent an agreement with Northeastern University, present scenarios and projections indicate that the College could very well run out of unrestricted cash by November or December 2021. Under any scenario the College's current path is not sustainable, and without the immediate financial support that the proposed alliance with Northeastern would provide, the College would run out of cash and be unable to pay its debts, including its bank loans, by February 2022.

Dr. Matthew Hendricks Response: The current course is not sustainable, but Mills has a better option than merging with Northeastern. It could reduce its administrative and auxiliary spending by nearly $10 million per year. This is what Mills could save annually if it matched academic and institutional support spending at peer institutions and signed a new food service contract that is in line with the size of its student body. If Mill chose to do this, it would immediately balance the budget and provide a large cash and budget surplus that could be used to invest in instruction and student services.

9. For example, the College's unrestricted changes in net assets from operations—the equivalent of a commercial company's net loss from its operations—from 2014-2020 was $31.2 million. FY 2020 was the only year showing a "profit." Do not be misled by the term profit, however. Had it not been for the sale of campus assets in 2020 *and* the receipt of emergency federal COVID-19 funds, 2020 would have resulted in a loss of $6.1 million and not a "profit" of $2.4 million. This more complete calculation would have pushed the College's overall losses since 2014 to $39.7 million.

Dr. Matthew Hendricks Response: Sure, but keep in mind that this is over a seven-year period. That means that Mill's structural deficit is about $5.7 million per year. It is likely less than this, because Mills received covid relief funds to offset losses to tuition and room and board revenues in 2020. These revenues likely rebounded in 2021.

But even if they didn't, a $5.7 million structural deficit is not too difficult to overcome. It is only about a 10% structural deficit (average deficit divided by average total operating expenses over this period), which is a routine challenge in higher education. Over this same 7-year period, 105 private non-profit 4-year degree granting schools had structural deficits that were worse than Mills'. That list includes many schools you may know, including Vassar College, Claremont Graduate University, Holy Names University, and Pacific Union College.

As I have described, Mills can save over $10 million per year by right sizing its administrative and auxiliary enterprise expenses. These changes would likely not affect student outcomes. Most of this savings comes from a new food service contract ($1.8 million) and reducing administrative (non-instructional) spending.

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10. Cash used by operations totaled negative $68.9 million over the past seven years and would have exceeded negative $78 million had it not been for the sale of campus assets and the aforementioned federal funds. The College has limited assets to sell and the receipt of COVID-19 emergency funding was a temporary aid that the College cannot and should not use as a basis to forecast financial stability.

Dr. Matthew Hendricks Response: This statement is misleading because it seems to suggest that Mills was short almost $70 million in cash over this 7-year period. This statement omits about $70 million in cash Mills received over this period from its endowment payouts for operations. Almost every school with a large endowment will have negative net cash flow from operations. Otherwise, it would mean that they aren't using their endowment.

For example, Harvard's net cash from operations was negative $1.5 billion in 2020. MIT's net cash used in operating activities is usually negative $360 million each year.

This doesn't mean the schools are broke. They get cash from their endowments, just like Mills. That cash flow is reported in the second section of the cash flow statement, called cash flow from investing activities.

There are 3 sections in a cash flow statement: operating, investing, and financing. It is often misleading to focus on only one section.

Here is a document that illustrates the cash flow for Mills College during the six-year period 2015 to 2020:

https://www.dropbox.com/home/Perspective%20Data%20Science/millsCollege/Mills%20presentation%2011_19_2021?preview=Mills+College+Cash+Flow+Picture.pdf

What Eric Roberts mentions in his declaration is just the red number ($58.6 million), which is cash going out for operations. I don't have the 2014 audit, so I can't do the same 7 year span he referenced, but it probably doesn't matter.

Eric Roberts failed to mention the $59.2 million coming in from the endowment. The cash flow at Mills is not really a problem. Mills has been short less than $1 million cash annually over this period.

You can see this clearly by noting the decrease in debt at Mills over this period but a slightly larger decrease in cash on hand. Although, they are substituting a line of credit for bond debt. That is odd. I wonder why Mills is not issuing new bonds like virtually every other school in the country, given the low interest rates.

Here is an excellent article describing how many colleges have been issuing bonds to pay off old bonds, pay off higher interest debt, and generate cash.

https://www.google.com/amp/s/www.wsj.com/amp/articles/bond-boom-comes-to-americas-colleges-and-universities-11608978781

I am wanting Mills to consider policies that would immediately net it $8-$10 million in cash per year. So, it is easily fixable.

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11. Although FY 2020 shows that Mills has a cash balance at the end of the year of $3.2 million, that includes the $3.1 million from the sale of campus assets and the $6.6 million in COVID-19 funds. Without those two *one-time* cash streams, there would have been a negative cash balance of $6.5 million. And Mills had no real borrowing capacity to transition the cash position from negative to positive.

Dr. Matthew Hendricks Response: Mills can fix its cash flow problem without borrowing. Again, cut administrative and auxiliary enterprise expenses.

I suspect that Mill does have borrowing capacity. Its current debt is quite low. Mill's bond debt in June 2020 was $25.6 million and its line of credit was $8 million. That is a total debt of $33.6 million.

The average school like Mills has about $10 million more in bond debt than Mills. Also, schools that are doing much worse than Mills financially have larger lines of credit. For example, Holy Names has a $20 million line of credit.

Holy Names has suffered larger net asset drawdowns than Mills. Mills' unrestricted net assets are $70.6 million, while Holy Names' unrestricted net assets are negative (-10.9 million). Yet, Holy Names' line of credit is $20 million, and Mills' line of credit is $8 million. Given this fact, I believe Mills does have additional borrowing capacity.

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13. Current scenario projections estimate that the College will run out of money by November or December 2021, absent an agreement with Northeastern (or another institution). Under any scenario, without the immediate financial support that the proposed alliance with Northeastern would provide, the College would run out of cash and be unable to pay its debts, including its bank loans, by February 2022. This path would result in a cash deficit in excess of $20 million by June 2022 and place Mills in default on its bank loans, which are secured by the campus land and buildings.

Dr. Matthew Hendricks Response: This is false. Mills can do at least 4 things meet cash obligations that don't involve merging:

1. Cut administrative and auxiliary expenses
2. Get approved for a larger line of credit
3. Issue bonds
4. Sell unrestricted net assets

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SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF ALAMEDA

DR. VIJI NAKKA-CAMMAUF, et al., Plaintiffs, v. DR. ELIZABETH HILLMAN, et al., Defendants -and- MILLS COLLEGE, a California nonprofit public benefit corporation, Nominal Defendant.	Case No. RG21101875 **SUPPLEMENTAL DECLARATION OF ERIC ROBERTS IN SUPPORT OF DEFENDANTS' OPPOSITION TO PLAINTIFFS' *EX PARTE* APPLICATION FOR AFFIRMATIVE RELIEF, TEMPORARY RESTRAINING ORDER AND ORDER TO SHOW CAUSE RE: PRELIMINARY INJUNCTION** [Filed concurrently with the Supplemental Declaration of Dr. Elizabeth Hillman and the Declaration of Dr. Marilyn Schuster] The Hon. Stephen M. Pulido DATE: August 16, 2021 TIME: 2:30 p.m. DEPT.: 517 Complaint filed: June 7, 2021

SUPPLEMENTAL DECLARATION OF ERIC ROBERTS

I, Eric Roberts, declare and state as follows:

1. The facts set forth herein are true of my own personal knowledge and, if called upon to testify thereto, I could and would competently do so.

2. I submit this supplement to my declaration in support of Defendants' Opposition to Plaintiffs' *Ex Parte* Application for Affirmative Relief, Temporary Restraining Order and Order to Show Cause Re: Preliminary Injunction, and do so in order to protect and preserve the best interests of the College.

3. As addressed in detail below, absent an agreement with Northeastern University, present scenarios and projections indicate that the College could very well run out of unrestricted cash by November or December 2021. Under any scenario the College's current path is not sustainable, and without the immediate financial support that the proposed alliance with Northeastern would provide, the College would run out of cash and be unable to pay its debts, including its bank loans, by February 2022.

4. I graduated from the University of California, Berkeley ("UCB") in 1967 with a Bachelor of Science, and received a Master of Business Administration degree from UCB the following year.

5. After obtaining my MBA, I worked at Deloitte beginning in 1968 until 1997 when I retired as a partner of the firm. In the 1980s, I was head of Deloitte's Higher Education Practice, with clients such as the University of California System, University of Arizona, and many others. I subsequently became the head of Deloitte's Northern California Litigation Support and Bankruptcy Practice. While at Deloitte, I became a Certified Public Accountant and a Certified Fraud Examiner. I later became Certified in Financial Forensics by the American Institute of Certified Public Accountants.

6. In 1998, I joined Morrison & Foerster LLP as a forensic accounting consultant, and later served as a Director of Forensic Accounting Services beginning in March 2000 until my retirement in mid-July 2021. At Morrison & Foerster, I provided financial and accounting expertise

on securities litigation and corporate and SEC investigations as well as identifying and overseeing financial experts on those matters.

7. I am a voting member of the Board of Trustees (the "Board") of Mills College (the "College")—a role I have held continuously since 2013 after previously serving on the Board from 1997 to 2006. I currently serve or have served on the following committees and subcommittees during the fiscal years noted:

a. Audit Committee (2015)
b. Audit and Enterprise Risk Committee (2020-present)
c. Executive Committee (2016-present)
    i. Subcommittee on Negotiations (spring 2021-present)
d. Finance Committee (2014-2019; chair 2016-2019)
e. Investment Committee (2014)
f. Resources and Sustainability Committee (2020-present; chair 2020-present)

8. The College's audited financial statements are available for public viewing on Mills' website. A review of the College's financial statements by the untrained eye or someone unfamiliar with higher education financing may result in an incomplete picture. That said, virtually all the information below comes directly from or is easily derived from the audited financial statements.

9. For example, the College's unrestricted changes in net assets from operations—the equivalent of a commercial company's net loss from its operations—from 2014-2020 was $31.2 million. FY 2020 was the only year showing a "profit." Do not be misled by the term profit, however. Had it not been for the sale of campus assets in 2020 *and* the receipt of emergency federal COVID-19 funds, 2020 would have resulted in a loss of $6.1 million and not a "profit" of $2.4 million. This more complete calculation would have pushed the College's overall losses since 2014 to $39.7 million.

10. Cash used by operations totaled negative $68.9 million over the past seven years and would have exceeded negative $78 million had it not been for the sale of campus assets and the aforementioned federal funds. The College has limited assets to sell and the receipt of COVID-

19 emergency funding was a temporary aid that the College cannot and should not use as a basis to forecast financial stability.

11. Although FY 2020 shows that Mills has a cash balance at the end of the year of $3.2 million, that includes the $3.1 million from the sale of campus assets and the $6.6 million in COVID-19 funds. Without those two *one-time* cash streams, there would have been a negative cash balance of $6.5 million. And Mills had no real borrowing capacity to transition the cash position from negative to positive.

12. The College needs a successful partnership with another institution—most likely Northeastern University—to pay its bills. While characterizations of certain auditor statements regarding the College's status as a "going concern" (i.e., having the ability to pay its bills through the next year) through January 2022 have been referenced by outsiders challenging the decisions of the College's Trustees, those challenges are misinformed. These auditor statements say nothing as to the College's financial picture *beyond* January 2022—which, without Northeastern University, is pressing. This was explained in writing in May 2021 in response to questions posed by Trustee Tara Singh, and the response was provided to all Trustees. *See* Declaration of Dr. Elizabeth L. Hillman, Ex. 27 at 4-5.

13. Current scenario projections estimate that the College will run out of money by November or December 2021, absent an agreement with Northeastern (or another institution). Under any scenario, without the immediate financial support that the proposed alliance with Northeastern would provide, the College would run out of cash and be unable to pay its debts, including its bank loans, by February 2022. This path would result in a cash deficit in excess of $20 million by June 2022 and place Mills in default on its bank loans, which are secured by the campus land and buildings.

14. As described in the Supplemental Declaration of President Hillman, filed herewith, without the immediate financial support that the proposed alliance with Northeastern would provide: students unsure of their ability to obtain a degree from, or even attend classes at, the College, will likely decline to return to the College, resulting in enrollment declines and further loss of revenue; faculty and staff could leave, threatening the operation of the College; and creditors

(who have responded favorably to the proposed Northeastern alliance) may take more aggressive action. All of this could precipitate a cash crisis in which the College runs out of funds as early as November 2021.

15. Filing for bankruptcy is not an option for the College, because doing so would make the College irrevocably ineligible to participate in federal student aid programs, which are necessary for the College's continued operations in any form or partnership, and the bank would have claim to the campus.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on August 12, 2021 at Tiburon, California.

Eric Roberts