

Westminster Choir College
101 Walnut Lane
Princeton NJ 08540

September 11, 2018

Dr. Thomas Masse (deanmasse@stetson.edu thomas.masse@stetson.edu)
cc: Ms. Jeanne Peterson, Executive Assistant to the Dean (jpeterso@stetson.edu)
Stetson University
421 N. Woodland Blvd., Unit 8399
DeLand FL 32723

Dear Dr. Masse:

During a September 8 retreat, Westminster Choir College faculty learned you will be the NASM team member particularly concerned with the financial ability of Kaiwen Education to sustain Westminster's programs during the period of accreditation sought. As you may be aware, the proposed transaction has been highly controversial and we, the undersigned professors at Westminster, wish to state briefly our objections to this proposed transaction and provide you with financial analyses by Rider University business faculty experts that contrast dramatically with the largely unsubstantiated assertions provided to the Westminster community by the Rider University administration. These analyses are the product of extensive, meticulous research in authoritative sources. In short, though we believe this buyer might be able to muster enough capital to purchase Westminster, when Kaiwen's massive debts come due, this singular musical institution will be destroyed.

It is important to understand that the entire Westminster community has been under a veil of secrecy and faculty have played no meaningful role in this entire transaction. As of today's date, none of us has seen a copy of the NASM self-study document. Moreover, when we specifically asked to see the financials included in the self-study, Dean Onofrio replied they were "confidential." Faculty are the key to success of any program and faculty voices have not been heard.

Even if Kaiwen's finances were secure (they are not), this for-profit corporation has no experience at all in higher education, in running a professional school of music, or in running the highly specialized programs that make Westminster unique. Kaiwen's only educational experience is in managing two K12 for-profit schools in Beijing for two years. For these reasons alone, the buyer is utterly unqualified to run Westminster.

Kaiwen's continuing pattern of net losses and very low cash-to-short-term-debt raises serious concern about its ability to sustain itself over even the midterm as revealed in its financial reporting. For example, in its 2018 Semi-annual Report (Aug. 7, 2018), which covers the first six months of this year, Kaiwen reported a Net Loss of 51.7 million Yuan on Revenues of 89.4 million Yuan, a loss of 57.8%, which follows a first quarter 2018 Net Loss of 74.3%. Looking ahead, the Company projects a Net Loss of from 65 to 75 million Yuan for the period January – September 2018.

Equally troubling is the news that Kaiwen, a for-profit commercial entity, intends to take all of Westminster's assets — including its endowment. This was revealed in a filing by Kaiwen to the Shenzhen Stock Exchange last month, which stated, *“The scope of the acquisition subject includes all tangible assets, intangible assets, real estate and used or available rights of the Westminster Choir College, Westminster Conservatory of Music and Westminster Continuing Education, including but not limited to school premises; teaching equipment and facilities; licenses, agreements and other instruments related to such schools; all the courses; receivables; operational information and records; intellectual property, etc., as well as the donated funds to be transferred to Westminster Choir College and all the newly added donations received before the delivery date.”* (Emphasis added). This would leave Westminster bereft of any assets and totally dependent on Kaiwen even for access to its own endowment. If Kaiwen were to default on its massive loans, all of Westminster's assets, including its endowment, could be liquidated and used to help satisfy its creditors.

On September 8, we requested that Dean Onofrio schedule a meeting with you and faculty during the team's visit so we may express these concerns in person. To help you prepare for that conversation, we have attached the four documents below that substantiate our claims.

a_failure_of_due_diligence_an AAUP_white_paper.pdf
Kaiwen Complete Semi-Annual Report 2018.docx
Kaiwen Reply to Shenzhen Stock Exchange.docx
More Bad Economic news for Kaiwen.docx

We also provide contact information below for faculty who will make themselves available to discuss any questions that may arise as you study this documentation.

Jeffrey Halpern (halpern@rider.edu)
Jerry Klein (kleing@rider.edu)
Joel Phillips (phillips@rider.edu)

Every one of us believes that Westminster's academic programs, faculty, and students are exceptional and that Westminster provides an unparalleled musical experience. The concerns we raise regard process and finances. Thank you for your careful consideration of this information, which we believe is critically important to the work of your team and to helping us ensure the best future for Westminster Choir College. We look forward to speaking with you in person next week.

Sincerely,

Christopher Arneson

Christian Carey

Elem Eley

Thomas Faracco

Ronald Hemmel

Jim Jordan

Kenneth Kauffman

Jay Kawarsky

Jane Nowakowski

Thomas Parente

Joel Phillips

Kathy Price

Laura Brooks Rice

Elizabeth Scheiber

Tom Shelton

Sharon Sweet

Bob Terrio

Nova Thomas

Stefan Young