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May 29, 1997

Robert S. Marcus, Esq.
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Matter: Jane Jakuc, Head
Willow Hill School

Dear Bob,

I have received your letter. There is such a welter of confusion in it that I think that some explanation to you of events at the School would be a helpful place to start. I will divide my comments into financial matters considered by the Board, and governance issues which could profitably be considered by you.

GOVERNANCE ISSUES

I have been a member of the Board of the School for more than twenty years. I am not the only member of the Board with very long service. My recollection is that more than fifteen or so years ago, the separation of members and trustees such as you mention in your letter was brought to the attention of the Trustees, and the Trustees, including such of them as were members, unanimously agreed to undertake the role of both members of the corporation and Trustees and in this way became the sole governing body of the corporation. The Board (including Jane) has acted 100% consistently with that understanding both before that day and ever since. The Board has acted in every way as the governing body: the Board has filed every report required by the Commonwealth and accreditation authorities and by every local, municipal Board; has filed resolutions with banks and mortgage lenders and has held itself as the School's governing body in the School's catalog and before every constituency of the School on every single occasion I can think of without qualification or reservation for more than twenty years. Just as important as that is the fact that the Board has accepted the responsibility for overseeing and monitoring the affairs of the School. And more important for your understanding even than that is the fact that Jane has held out the Board as the governing body before every constituency of the School and on countless occasions. I served as Chair of that Board while your son attended the School. The idea that I should be called to a meeting, to meet with people of whom I have never even heard in more than twenty years of active participation in the governance of the School, and to decide issues of importance to the School, is well beyond my ability to understand.

FINANCIAL MANAGEMENT ISSUES

A year ago, the Board was informed that there would be a substantial and unanticipated cash shortfall or loss in the year's operating results and became concerned that both budgeting and spending at the School ought to be examined more closely. Moreover, the "Management Letter" of the independent auditor suggested the absence of internal controls, i.e., adequate checks and balances on spending and check signing, as well as shortcomings in some systems for monitoring cash and payables. The Board's concern about lack of controls and inappropriate spending raised questions about how expenditures were accounted for by category and how they could be monitored throughout the School's fiscal year. The Board expressed to the Head its lack of confidence in the budgeting process and the usefulness of the categories used to track expenses. The Board's concerns were deepened by the fact that the School's part-time business officer and its auditor were about to be leaving the service of the School. The Board after considerable deliberation took the following actions:

1. The Board conducted, after receiving the approval of the Head, "exit interviews" with both the business officer (a C.P.A.) and the independent auditor (a C.P.A.). The direct result of these interviews was a heightening of the Board's concerns.

2. The Board suggested to the Head, in a Board meeting, that she engage a business officer at the School who was experienced and capable in more than book-keeping, who would give the Board some comfort that the functions of budgeting, forecasting and preparing projections, as well as being able to challenge internally and constructively, the spending of the Head. The Head refused the Board's advice.

3. The Board was made aware that the Head and her family would receive, in this current fiscal year, direct payments of \$166,500 plus benefits (full health, dental, use of a new Chevrolet Suburban, babysitting, tuition reimbursement,) in an amount totalling what someone wishing to criticize the School could say approached \$200,000. This is nearly thirty cents of every dollar received from the Commonwealth. The Board considered the appropriateness of the Head's husband's having two full time jobs at the School (and resultant annual compensation of \$68,300). The Board also thought to inquire whether this employee was present on campus for more than one full workweek each week.¹ The result of this review was that the Board voted unanimously to direct the Head not to employ any individual at the School in more than one full time job after June 30, 1997.

4. The Board, after discussion in which the Head was a participant, voted to authorize the School to engage an independent auditing firm for the purpose of inquiring

¹ The accountant's Report specifically addressed deficiencies in this area (time records, employee's attendance, hours worked, etc.) in recommending that the School have its record keeping comply with the Division of Purchased Services Uniform Financial Report as outlined in the Auditor's Compliance Supplement.

into whether appropriate accounting standards were in place and whether adequate internal controls existed. (The particular firm was previously identified by and interviewed by the Head as a potential candidate to be the new auditor for the School.) The report, which speaks for itself, suggested to the Board the need for a competent business officer "on board" to assist with the day-to-day affairs of the School, as well as the absence of plans which should have been adopted to avoid the School's being criticized by the I.R.S. for discriminating in favor of its highly paid employees. The report, in short, validated the Board's concerns.

5. The Board has been concerned for some time that certain long-term, strategic directions for the School have been publicly announced before such plans had been properly presented to (or even discussed by) the Board. The Board's efforts to engage in a strategic planning process have been resisted and subverted by the Head, who has continued to press ahead with initiatives that have never been approved by the Board.

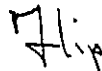
Unfortunately, no Head, including Jane, can create a new governing body because of his or her apparent discomfort with legitimate Board oversight and inquiries.

ONGOING SCHOOL BUSINESS

There is, as Jane knows, a meeting of the Board scheduled for June 10, 1997. At that meeting, as I informed her secretary on Tuesday morning (Monday was Memorial Day), the issue of a contract for Jane's employment for the next School Year will be taken up. Board Member Anne Nash has asked for the opportunity to present her personal responses to Jane's questions concerning Jane's role and performance as Head, and Anne may do that at the meeting or before (I say "personal" because the Head serves at the pleasure of the Board and Anne wishes to address issues which are personal to her and not directly the result of formal, Board process.) We have asked Jane to prepare a description of her job as she sees it and we hope to be able to discuss this description.

Jane has not returned my telephone call of Tuesday. I would like her to call me to discuss ongoing School business: the School's matter pending before the Town of Sudbury Conservation Commission, the document to be filed with the State Department of Education, as well as the Agenda for the upcoming meeting. If I may be of any further help to you or to Jane, please let me know.

Sincerely,



Philip A. Mason