

**University of Pennsylvania Board of Trustees
Stated Meeting**

February 18, 2011

MINUTES

A Stated Meeting of the Trustees of the University of Pennsylvania was convened at 11:22 a.m. on Friday, February 18, 2011 in the Woodlands Ballroom at the Inn at Penn.

Trustees present at the meeting: Arlin Adams, Robert Blank, Scott Bok, David Brush, Gilbert Casellas, Susan Catherwood, William Cheung, L. John Clark, David Cohen, Susan Danilow, David Ertel, Robert Fox, Sarah Fuller, Perry Golkin, Joel Greenblatt, James Greene, Amy Gutmann, Janet Haas, Steven Heyman, Michael Kowalski, Andrea Laporte, Charles Leitner III, Paul Levy, M. Claire Lomax, William Mack, A. Bruce Mainwaring, Howard Marks, Deborah Marrow, Andrea Mitchell, Marshall Mitchell, Egbert Perry, Julie Beren Platt, Andrew Rachleff, James Riepe, Katherine Sachs, Marie Savard, John Shoemaker, David Silfen, Krishna Singh, Lee Spelman Doty, Susan Taylor, Carol Ware, George Weiss, Raymond Welsh, Mark Winkelman and Ehsan El-Tahry Zayan.

Administrators and guests present: Robin Beck, Elise Betz, Mary Lee Brown, Craig Carnaroli, Dorey Chen, Faye Cheng, Justin Ching, Jeffrey Cooper, Ginny Davis, Kristin Davitt, Lori Doyle, Laura Garnick Bellet, Bonnie Gibson, Eduardo Glandt, Stephen Golding, John Heuer, Phyllis Holtzman, Charles Howard, Eric Kaplan, Leslie Laird Kruhly, Afaf Meleis, Leslie Mellet, Trina Middleton, Marguerite Miller, Medha Narvekar, Anne Papageorge, John Prendergast, Vincent Price, Peter Rockett, Gregory Rost, Arthur Rubenstein, Lex Ruby Howe, Maureen Rush, Elyse Sholk, David Soo, Duncan Van Dusen, F. Hoopes Wampler, Wendy White, Marie Witt and John Zeller.

The complete texts of all resolutions passed in the course of the meeting are appended to this document and are to be considered part of the official record of this meeting.

Chair's Report

Chairman David Cohen welcomed everyone to the Winter Trustee Meeting and also welcomed new Alumni Trustees Charles Leitner III and Ehsan El-Tahry Zayan. Mr. Cohen then called the meeting to order. He noted the lively discussions that took place during the committee meetings and two trustee events – the Krishna P. Singh Center for Nanotechnology groundbreaking and dinner at the Penn Museum.

University Chaplain Reverend Charles Howard presented the invocation.

The minutes of the October 29, 2010 and January 12, 2011 meetings were approved as distributed.

Nominating Committee Report

The following resolution was presented and approved (full resolution text is appended):

- Resolution of Appreciation for Robert I. Toll (p. 1)

President's Report

President Amy Gutmann reported on Penn's successful admissions cycle – more than 31,000 students submitted applications for the class of 2015, which represents a 17.5% increase in applications over the previous year's cycle. Dr. Gutmann attributed the increase to Penn's excellent job in communicating its many strengths, including its no-loan financial aid policy, to potential students and their parents. She noted that the University awards more than \$135 million in aid to Penn's 4,223 undergraduates and more than 45% of the class of 2014 is receiving some form of grant aid from Penn. Because of the continuing effects of the economic downturn on Penn families and students, the University has augmented its financial aid budget by 7.7% (\$10.7 million) to a total of \$161 million.

Dr. Gutmann then summarized new developments on campus. Since implementing the Penn Connects plan in 2006, Penn has created 3.8 million gross square feet of new and renovated space (plus another 1.0 billion gross square feet of privately developed space). In the fall of 2011, Penn Park will open and the Krishna P. Singh Center for nanotechnology will commence construction.

Dr. Gutmann stated that Dean of the School of Engineering and Applied Science Eduardo Glandt has agreed to extend his term as dean of Penn Engineering until June 30, 2015. Over the past 11 years under Dr. Glandt's leadership, the size of the School's faculty has increased by nearly 17%, and research funding and the endowment have both doubled. Strategic initiatives, information technology, biotechnology, nanotechnology, and distinctive interdisciplinary programs have flourished, making the School a magnet for top students.

Dr. Gutmann announced that the *Making History* Campaign passed the \$3 billion milestone. The University has received 544 gifts of \$1 million or more and raised more than \$800 million in receipts for endowment. She reiterated that, while Penn's overall \$3.5 billion target is within reach, the University will redouble its efforts and focus on fulfilling its ambitious aims for all core priorities. She concluded by thanking the Penn community for its help in reaching this milestone.

Andrea Mitchell, former Chair of External Affairs Committee, presented the following resolution, which was approved (full resolution text is appended):

- Resolution of Appreciation for Lori N. Doyle (p. 2)

Lori Doyle, former Vice President for Communications, remarked on her time at Penn and thanked those with whom she had worked.

Academic Report

Provost Vincent Price reported that Martin Redman recently became Executive Director of College Houses and Academic Services, a new position that oversees all 11 houses and charts their strategic direction. Professor Mark Liberman will continue his service as Faculty Director and Dr. Leslie Delauter will assume a new role as Director of Academic Programs. This new position will increase the connections between residential life and Penn's wider academic enterprises. Dr. Price noted that seven Penn students received Thouron Awards, tying the University record for the highest number received in a single year, and that two additional seniors received Marshall Awards.

The following resolution was presented and approved (full resolution text is appended):

- Resolution on Faculty Appointments, Leaves and Promotions (p. 3)

Financial Report

Executive Vice President Craig Carnaroli reported that the University on a consolidated basis experienced positive financial performance during the first six months of the fiscal year, driven by strong operating performance as well as strong investment performance for both the University and the Health System. In the Academic Component, total operating revenues grew 5.8%, largely driven by growth in sponsored program activity, primarily the School of Medicine's American Recovery and Reinvestment Act awards. In the Health System, adjusted admissions were consistent with the prior year. Operating performance was slightly below the previous year. Mr. Carnaroli noted that the Executive Committee approved resolutions granting both the University and the Health System access to the tax exempt debt markets to secure capital at current favorable interest rates. He added that Penn's strong Aa ratings were helpful in the transaction, as investors sought out credit with solid balance sheets. The University and the Health System received all-in true interest costs of 4.95% and 5.62%, respectively, for 30-year fixed rate issue.

Penn Medicine Report

Executive Vice President for the Health System and Dean of the School of Medicine Arthur Rubenstein noted that, even in the harsh winter weather, the Health System had continued operations as normal. Dr. Rubenstein reiterated that the Health System was financially strong despite the recession and unemployment rates. He commented on Penn Medicine's recent community benefit report "Simply Because," which details Penn Medicine's efforts in, and impacts on, the community, particularly West Philadelphia. In research, Penn Medicine is ranked first in terms of the stimulus grants from the National Institutes of Health, totaling approximately \$170 million. Dr. Rubenstein noted that Penn Medicine had been successful in recruiting two of the world-leading researchers in HIV and malaria, Dr. Beatrice Horn and Dr. George Shaw. He commented on the performance of the clinical staff, who reduced yearly hospital infections from approximately 150 to 1. Finally, the School of Medicine received over 6,000 applications for only 150 spots in the class of 2015.

Academic Policy

Dr. Deborah Marrow reported that the Academic Policy Committee met in joint session with the Ad Hoc Committee on Diversity to consider past, present and future initiatives to diversify the faculty at Penn. Provost Vincent Price reviewed Penn's progress in diversifying its faculty since 2000, especially in comparison to peer universities. He presented a wide range of programs designed to increase faculty diversity as well as current challenges. The Committees discussed the best ways to advance the diversity of the Penn faculty in the years ahead, including ideas for new strategies and lessons from outside higher education. The Academic Policy Committee also unanimously endorsed the creation of a new Department of Biobehavioral and Health Sciences and a Department of Family & Community Health in the School of Nursing. The intention is to adopt a departmental structure that builds upon the School's two existing divisions in these same areas.

The following resolution was presented and approved (full resolution text is appended):

- Resolution to Create a Department of Biobehavioral & Health Sciences and a Department of Family & Community Health in the School of Nursing (p. 48)

Audit & Compliance

In the absence of Audit and Compliance Committee Chair Jay Fishman, Audit and Compliance Committee Vice Chair Perry Golkin delivered the report. Mr. Golkin reported that the Committee was briefed by Joshua Beeman, Information Security Officer, and Maura Johnston, University Privacy Officer, on several key privacy issues related to technology, specifically how the University currently protects information and what steps it could take to reduce potential risks in the future. Provost Vincent Price and Senior Advisor on Compliance and Privacy Laura Steinfeld reported on Penn's global activities and support, specifically expanding global opportunities and advancing our global presence. Ms. Steinfeld described various resources that have been launched: the global activities registry; the playbook for global engagement; and the new resources tab. Associate Vice President for Audit, Compliance and Privacy Mary Lee Brown provided an update on the work plan for FY 2011. On the financial side, Vice President for Finance and Treasurer Stephen Golding reported on Penn's A-133 audit, which revealed no material weaknesses or deficiencies. Comptroller John Horn and Chief Financial Officer for the University of Pennsylvania Health System Keith Kasper reviewed recent transactions for the quarter ended December 31, 2010. PricewaterhouseCoopers also presented its audit plan and fees for both the University and the Health System.

The following resolution was presented and approved (full resolution text is appended):

- Resolution on the Engagement of the Independent Accountant for Fiscal Year 2011 (p. 49)

Budget & Finance

Budget and Finance Committee Chair Mark Winkelman reported that the Committee reviewed the University and Health System financial reports for the six months ended December 31, 2010. The academic component outperformed its budget by approximately \$41 million year to date. The Committee also reviewed the recommended tuition and fee increases of 3.9% for 2011-2012. The Committee noted that, while student charges and tuition have increased faster than the CPI over a long period of time, a Penn education is an outstanding product. Dr. Arthur Rubenstein gave a presentation on the School of Medicine and how it has improved its facilities, its academic standing and its activities over the past 10 to 15 years.

The following resolutions were presented and approved (full resolution text is appended):

- Resolution to Authorize Tuition, Fees and Other Student Charges for Academic Year 2011-2012 (p. 50)
- Resolution to Authorize Kings Court/English House Renovations in the Amount of \$10,000,000 (p. 51)
- Resolution to Authorize 1920 Commons Dining Improvements in the Amount of \$6,500,000 (p. 52)
- Resolution to Authorize Steinberg Hall – Dietrich Hall Rooms 350 and 351 Renovation in the Amount of \$5,660,000 (p. 53)
- Resolution to Authorize Vance Hall 1st and 2nd Floor Renovation in the Amount of \$4,700,000 (p. 54)
- Resolution to Authorize Ryan Animal Hospital Air Handling Unit 3 & 4 Replacement in the Amount of \$4,000,000 (p. 55)
- Resolution to Authorize Johnson Pavilion and Stemmler Hall Renovations for Department of Medicine Recruits in the Amount of \$3,200,000 (p. 56)
- Resolution to Authorize Information Commons at Franklin Field in the Amount of \$2,550,000 (p. 57)
- Resolution to Authorize Seven Year New Lease for Wharton Computing and Information Technology; Total Lease Obligation (Present Value) \$2,958,000, Inclusive of \$1,707,000 in Capital (p. 58)
- Resolution to Authorize Main Substation Relay/Meter Renewal in the Amount of \$2,420,000 (p. 59)
- Resolution to Authorize Stemmler Hall 4th Floor Renovations for Orthopaedic Surgery in the Amount of \$2,185,000 (p. 60)

- Resolution to Authorize College Hall West Wing Life Safety Upgrades in the Amount of \$1,950,000 (p. 61)
- Resolution to Authorize McClelland Dining Renovations in the Amount of \$1,500,000 (p. 62)
- Resolution to Authorize David Rittenhouse Labs High Bay Lab Renovation in the Amount of \$1,500,000 (p. 63)
- Resolution to Authorize Chemistry 1941 Building 3rd Floor Lab Renovations in the Amount of \$1,370,000 (p. 64)
- Resolution to Authorize Laboratory for Research on the Structure of Matter 3rd Floor Lab Renovation in the Amount of \$1,200,000 (p. 65)
- Resolution to Authorize Fagin Hall Teaching Lab Renovation in the Amount of \$1,000,000 (p. 66)
- Resolution to Authorize the Incurrence of Certain University of Pennsylvania Health System Indebtedness in the Amount of \$100,000,000 Revolving Line of Credit (p. 67)

Development

Development Committee Chair George Weiss noted that the *Making History* Campaign had raised \$3 billion in new gifts and pledges, 85% of the total goal. He reported that at the Development Committee meeting, President Gutmann announced recent major gifts to the Campaign. She noted in particular an increase in international giving, reflecting Penn's expanding global imprint. John Zeller, Vice President for Development and Alumni Relations, presented a comprehensive update on Campaign performance. He also provided an overview of the proposed timeline for the Campaign close in 2012, the post-Campaign celebration in 2013, and plans for 2014 and beyond. The Committee discussed the Campaign's many successes both in raising funds for core priorities and in engaging alumni at all levels. The Campaign has accelerated Penn's upward trajectory and raised the bar in several key areas of development, including total fundraising commitments, annual giving, and support for financial aid. Over the Campaign's final 22 months, the focus will be on funding priorities, building participation, and exceeding the \$3.5 billion goal. Kristin Davitt, the new Assistant Vice President for Undergraduate Programs, was introduced to the Committee. Mr. Weiss thanked Dr. Gutmann, Mr. Cohen and the Trustees for their commitment to the Campaign, which has energized the Penn community and inspired unprecedented philanthropic support and record levels of engagement.

External Affairs

Dr. Marie Savard gave the report on behalf of External Affairs Committee Chair Edward Mathias. At the meeting, Phyllis Holtzman, Interim Vice President for University Communications, presented on the challenges of communicating with a diverse audience in the

new digital age. Members of the Editorial Board of *The Daily Pennsylvanian* discussed the newspaper's operating challenges for the coming year, including how to generate sufficient ad revenue from their print editions to support the newspaper, an organization independent of the University and free of its financial support. They also reviewed their website, www.thedp.com, and presented their other websites, www.underthebutton.com, www.34st.com, and www.eventsatpenn.com. Finally, Robin Beck, Vice President for Information Systems and Computing, discussed Penn's new mobile website and its applications. She presented an overview of what information is currently accessible from this site and the introduction next month of access to Penn-in-Touch from any mobile device.

Facilities & Campus Planning

Facilities and Campus Planning Committee Chair Egbert J. Perry reported on the three presentations heard by the Committee and subsequent discussions. In the first presentation, Vice President for Facilities and Real Estate Services Anne Papageorge and University Architect David Hollenberg gave an update on the Penn Connects plan. Five years after the launch of Penn Connects, Penn has made significant strides, completing nearly all projects within the first phase. FRES has re-engaged Sasaki Architects and Dr. Gutmann has established an Advisory Committee to lead a review of the plan's guiding principles and to revisit future development opportunities in light of both the emerging sustainability initiatives and recent land acquisitions, such as the former DuPont Labs property. In the second presentation, Ms. Papageorge and Edwin Datz, Executive Director of Real Estate Development, provided an overview of the University's recent acquisition of a 50% ownership interest of the former Axis/Stratum Apartment building. Located at 20 S. 36th St. the property consists of 200 beds within 136 apartment-style units. The property will be marketed as both student apartments and as an extended-stay facility for visiting faculty and hospital patients. In the final presentation, Ms. Papageorge and Ken Ogawa, Executive Director of Operations, provided an overview of the University's Energy Management strategies. Penn's new 20-year steam agreement with Trigen and the creation of a Load Sharing Entity (LSE) to procure electricity are examples of significant energy cost control measures. In response to the goal to reduce Penn's energy use by 17% by 2014 as set forth in the Climate Action Plan, Penn is also employing the following initiatives: FRF Matching Fund; Green Fund; Energy Reduction Fund; Measuring Energy Usage; Recommissioning; and Educating Behavioral Change across the institution.

Neighborhood Initiatives

In the absence of Neighborhood Initiatives Committee Chair Susan Taylor, Trustee Sarah Fuller gave the report. Mrs. Fuller reported that the Committee heard an update on housing trends in West Philadelphia from Vice President for Business Services Marie Witt. Since FY 1998, 987 individuals and families have participated in University home ownership initiatives. The Committee reviewed the profile of current and future program participants. Approximately 90% of future participants are projected to have incomes of less than \$70,000. From a student perspective, of the 33% of undergraduate students who live off-campus, 70% reside in West Philadelphia. The percentage of graduate students who live in West Philadelphia increased from 27% in 2004 to 31% in 2010. Vice President for Facilities and Real Estate Services Anne Papageorge and Executive Director of Real Estate Services Edwin Datz provided an overview of

retail and real estate development in University City. They reported that Penn-owned retail offerings are 100% occupied and that the new retail offerings at the Radian and Domus have broadened the array of amenities available in the area. Penn's ground leases continue to perform very well. The Radian, Domus and Hub have generated more than \$1.5 million in rental income since the projects were completed. The Brandywine development, on the site of the former post office at 30th and Market Streets, has been completed and the postal building and its new parking garage are now occupied by the IRS. Susan Phillips, Senior Vice President for Public Affairs for Penn Medicine, described the efforts of Penn Medicine in local health clinics to provide services to those who lack the means to pay. In FY 2010, the community benefit of Penn Medicine amounted to more than \$788 million, a 7.5% increase over FY 2009.

Student Life

Student Life Committee Chair Julie Beren Platt reported that the Committee heard an update from leaders of Penn's Student Intervention Services, including Director Sharon Smith, about Penn's support services for students in crisis. Ms. Smith highlighted Penn's proactive approach for supporting students identified to be at-risk (academically, personally, professionally, and/or for physical or mental health concerns). The Committee discussed how resources across the University, including Student Intervention Services, Counseling and Psychological Services, Special Services of the Penn Police, Student Health Service, schools, and many other partners join forces to find solutions on a case-by-case basis in the best interests of both the student and the Penn community. The Committee discussed how services and communications are evolving and responding to meet the contemporary needs of Penn students with Senior Associate Vice Provost for Student Affairs Ajay Nair and VPUL Director of Communications Matthew Waller. The Committee explored the differences between "digital natives," those born into widespread digital culture, like current Penn students, and "digital immigrants," those born prior to the emergence of digital technologies who moved into those technologies later in life.

Investment Board

Investment Board Vice Chair Andrew Rachleff delivered the Investment report on behalf of Investment Board Chair Robert Levy. Mr. Rachleff reported that the Investment Board met with the Office of Investments to review performance and the positioning of Penn's portfolio. Penn's portfolio has benefited from the recent recovery in both equity and credit markets. He noted that the unit value of the AIF is now in excess of both its June 2007 and June 2008 values due to prudent risk management during the economic downturn and meaningful participation in the subsequent rebound. Mr. Rachleff noted that this is a very significant achievement on both an absolute basis and relative to Penn's peers. Penn's portfolio is well-diversified and well-positioned. Although Penn remains liquid, the bulk of its portfolio is in equities, hedge funds and other risk assets. The Office of Investments has taken measures to limit risk of any potential rise in interest rates by reducing the duration of its fixed income portfolio.

Alumni Report

Penn Alumni President Lee Spelman Doty reported that Penn Alumni Director Elise Betz and Assistant Director of the Penn Traditions and Young Alumni Program Lex Ruby Howe gave a

presentation on yPenn, a new outreach program specifically targeting young Penn alumni. This is a continuation of the very successful Penn Traditions programs, aimed at fostering school spirit in recent graduates. Mrs. Doty then provided an overview of upcoming events. The Penn Alumni Board and its committees would be participating in a retreat later that day focused on continued committee reinvigoration, followed by a volunteer appreciation evening. Additionally, Penn Spectrum will be presented at the Penn Club of New York on March 22, 2011. The event will be a Penn alumni and faculty panel discussion on minorities and media visibility in the age of reality television. After the success of the theater arts panel during Homecoming Weekend 2010, a Penn alumni theater arts panel will be held on April 4, 2011 with an all-Penn alumni panel discussion on "Life in the World of Theatre Today." Mrs. Doty reminded the trustees that Alumni Weekend was May 15-18, 2011 and would feature more comprehensive week-long programming. Mrs. Doty then thanked Assistant Vice President for Alumni Relations Hoopes Wampler and his entire staff for their enthusiasm, creativity and dedication.

Appointments to Penn Medicine, Overseer and Other Boards

The following resolutions were presented and approved (full resolution text is appended):

- Resolution to Appoint Alan Waxman to the Board of Overseers of the School of Arts and Sciences (p. 69)
- Resolution to Appoint Julie Dill Williams to the Board of Overseers of the Annenberg Center for the Performing Arts (p. 70)
- Resolution to Appoint Adria Sheth to the Athletics Board of Overseers (p. 71)
- Resolution to Appoint Patrik Eriksson to the Board of Overseers of the School of Dental Medicine (p. 72)
- Resolution to Appoint Jay B. Abramson and Mary Pavia Rolla to the Board of Overseers of the School of Design (p. 73)
- Resolution to Appoint Harold Berger, George H. Heilmeier, and John F. Lehman, Jr., as Emeritus Members of the Board of Overseers of the School of Engineering and Applied Science (p. 74)
- Resolution to Appoint Alan D. Schnitzer to the External Advisory Board of the Institute for Urban Research (p. 75)
- Resolution to Appoint Richard T. Clark, Jr. to the Penn Medicine Board (p. 76)
- Resolution to Appoint Mariann T. MacDonald to the Penn Medicine Board (p. 77)
- Resolution to Appoint Mark Winkelman to the Penn Medicine Board and the Penn Medicine Executive Committee (p. 78)

- Resolution to Appoint Ingrid A. Graham to the Board of Overseers of the Museum of Archaeology and Anthropology (p. 80)
- Resolution to Appoint Barbara L. Nichols to the Board of Overseers of the School of Nursing (p. 81)
- Resolution to Appoint Patricia L. Billhardt and Christine Connelly as Emeritus Members of the Board of Overseers of the School of Veterinary Medicine (p. 82)
- Resolution to Appoint the 2011 Slate of The Wistar Institute Board of Trustees (p. 83)

The meeting was adjourned at 12:12 p.m.

Respectfully submitted,

Leslie Laird Kruhly
Secretary of the University