Minutes of the Stated Meeting of the Trustees
of the University of Pennsylvania
June 16, 2006

A Stated Meeting of the Trustees of the University of Pennsylvania was convened on Friday, June 16, 2006, at 11:30 am in the Hall of Flags in Houston Hall.


Administrators and guests present were: Robin Beck, Janice Bellace, Mary Lee Brown, Allison Cannady-Smith, Craig Carnaroli, Ron Daniels, Carol De Fries, Noah Drezner, Bonnie Gibson, William Gipson, Patrick Harker, Jack Heuer, Alan Kelly, Leslie Laird Kruhly, Paul Kelly, Zachery Levine, Sam Lundquist, Vanda McMurtry, Marguerite Miller, Joann Mitchell, Medha Narvekar, Therese Richmond, Arthur Rubenstein, Lee Stetson, Brett Thalmann, John Tomaszewski and John Zeller.

The complete text 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.

Mr. James Riepe called the meeting to order. He welcomed all to the annual meeting of the Board of Trustees.

The minutes of the February 24, 2006 meeting were approved as distributed.

Chair’s Report
The following resolution was presented and approved (full resolution text is appended):
• Resolution to Authorize Prohibition on Investment in Certain Securities Related to Sudan (p. 1).

Vice Chair’s Report
The following resolution was presented and approved (full resolution text is appended):
• Resolution to Reelect James S. Riepe as Chair of the Board of Trustees (p. 3).

Nominating Committee Report
The following resolutions were presented and approved (full resolution text is appended):
• Resolution to Reelect Jon M. Huntsman as Vice Chair of the Board of Trustees (p. 4)
• Resolution to Elect William L. Mack as Vice Chair of the Board of Trustees (p. 5)
• Resolution to Elect the Executive Committee (p. 6)
• Resolution to Appoint the Investment Board (p. 7)

Click here for full texts of resolutions
President’s Report
President Gutmann noted the passing of two great scholars: Dr. Vincent Cristofalo and Dr. Jaroslav Pelikan. She reported on Kentucky Derby Champion Barbaro and the opportunity his care provided to showcase the superb work of the School of Veterinary Medicine at the New Bolton Center campus. She noted that the George Widener Large Animal Hospital had received more than 19,000 web messages and hundreds of letters and gifts for Barbaro. President Gutmann also reported that New Bolton had received a $13.5 million dollar grant from the Commonwealth of Pennsylvania to fund new facilities for the large animal hospital.

President Gutmann stated that Penn surpassed its $400 million fundraising goal for FY 2006, with $415.9 million pledged, and almost doubled the number of first-time million-dollar-plus donors over last year’s record, well positioned for the second year of the quiet phase of the campaign.

She reported on Alumni Weekend and Penn’s 250th Commencement exercises noting enthusiastic feedback from graduates on Jodie Foster’s engaging commencement address. President Gutmann also reported on the new campus development plan entitled Penn Connects, and mentioned that the University had the greatest increase in selectivity of any Ivy League school. In addition, she noted that Small Times Magazine had named Penn number one in the country for research in nanotechnology.

President Gutmann reported that the Philadelphia School Reform Commission approved the University’s plan for developing an International Studies High School in West Philadelphia, in conjunction with the School District of Philadelphia and the Asia Society. She indicated that the school is expected to open at 3020 Market Street in 2007 with a ninth grade class, and expand to full enrollment in 2010.

Finally, she noted that a new report issued in April on Penn’s economic impact indicated that Penn annually generates, through direct and indirect expenditures, the equivalent of 2% of Pennsylvania’s entire economy and 3% of the Philadelphia regional economy.

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

- Resolution to Elect Dr. Raymond K. F. Ch’ien as Term Trustee (p. 8)
- Resolution to Elect Marc F. McMorris as Term Trustee (p. 9)
- Resolution to Elect Gilbert F. Casellas as Charter Trustee (p. 10)
- Resolution to Elect Jon M. Huntsman as Charter Trustee (p. 11)
- Resolution to Elect Egbert L. J. Perry as Charter Trustee (p. 12).

- Resolution of Appreciation for Susan H. Fuhrman (p. 13)
- Resolution of Appreciation for Alan M. Kelly (p. 14)
- Resolution to Reappoint Michael A. Fitts as Dean of the Law School (p. 15)
- Resolution to Reappoint Patrick T. Harker as Dean of the Wharton School (p. 16).

On behalf of the Board, Chairman Riepe thanked Deans Susan H. Fuhrman and Alan M. Kelly for their decade-long contributions to the University. She also expressed thanks in anticipation of
additional contributions from Deans Michael A. Fitts of the Law School and Patrick T. Harker of the Wharton School.

**Academic Report**

Provost Ron Daniels reported on the Task Force on Global Engagement’s recommendations, which consist of initiating several new programs, including Penn World Scholars, the Penn Global Initiatives Fund, the Global Leader Series, and the Distinguished International Scholars Program.

He also reported on the inauguration of “Ideas in Action,” a program coordinated by the Fels Institute of Government that provides undergraduates with new research opportunities and the chance to apply classroom learning in real-world contexts. “Ideas in Action” courses will be problem-based, and will foster student research and analysis under the supervision of a Penn faculty member.

Provost Daniels also updated the Board on the Graduate School of Education. He stated that for the first time, Henry C. Lea Elementary, a Penn Partnership School, made “adequate yearly progress” as outlined in the No Child Left Behind act. Also this year, the percentage of students in Penn Partnership Schools performing at grade level or above rose by 4.9% in reading, and by 17.4% in math, representing the largest one-year gains by a school management partner in the entire Philadelphia district. Provost Daniels reported that Dean Susan Fuhrman introduced the GSE Faculty Grant Fund for the Study of Race in Education, a $100,000 award specifically earmarked for research projects that focus on teaching, learning, and the context of schooling for African-American and Latino students in urban schools and institutions of higher education.

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

- Resolution on Faculty Appointments, Leaves and Promotions (Page 17).

**Financial Report**

Executive Vice President Craig Carnaroli reported on an exceptional fiscal year. He noted that net asset growth (or growth in equity position) for the entire University as of April 30th rose by $900 million dollars during a ten-month period. He attributed that growth to increased contributions, growth of the endowment, and improved operating performance. Mr. Carnaroli reported that the Health System had its best year since 1994 in terms of operating performance, finishing its sixth consecutive year of operating profitability. By successfully containing employee benefit costs, he reported that this year the University had the highest salary pool in the last 15 years, which will enable effective retention and recruitment of faculty and staff. In addition, Mr. Carnaroli reported that the University-owned hotels have had two very strong years, not withstanding the Inn at Penn renovation project. The University was able to contribute half a million dollars in profits from the Sheraton to the campus lighting program. Finally, Mr. Carnaroli reported that between the February meeting and this meeting, the endowment crossed the $5 billion dollar mark, and he anticipates that it will end the year at $5 billion dollars. He noted that within two years, the endowment has grown by over one billion dollars.

**Penn Medicine Report**
Executive Vice President for the Health System Arthur Rubenstein thanked the President and the Board for their guidance and encouragement over the past year. He noted that more people than ever chose Penn’s Health System physicians for their medical care, as reflected in its financial performance. He commended the more than 15,000 Penn Medicine faculty and staff for their hard work and dedication.

Admissions Report
Dean of Admissions Willis Stetson reported that Penn had a record year with almost 20,500 applicants, which resulted in the lowest ever rate of admission of 17%; with a 13% rate of admission for applicants admitted regular decision. He noted that Penn purposely admitted 300 fewer students this year because its yield had resulted in over enrollment last year. This year’s results were right on target with an entering class size of 2,400. Dean Stetson reported that each of the undergraduate schools also had met their enrollment targets. He reported geographic diversity with students admitted from all fifty states, some sixty countries, and six continents. He noted that 12% of the class is international, which makes Penn the leader in undergraduate international presence in the Ivy League. Dean Stetson stated that multicultural representation is at an all-time high at 40% of the class, which includes the greatest percentage of African American and Black students at 9%, and between 8% and 9% of the class being Hispanic or Latino. Due to the changes in the SAT this year, he could not say for sure that it was the best class ever academically, but it is comparable.

Committee Reports

Academic Policy
Mr. Andrew S. Rachleff reported on behalf of chair Dr. Deborah Marrow. He reported that the Academic Policy Committee discussed two topics on graduate education: interdisciplinary study at the PhD level, and the role of the teaching experience and PhD education. Mr. Rachleff noted that the committee heard a presentation by Deputy Provost Janice Bellace regarding the importance of reducing barriers to interdisciplinary study at the doctoral level.

Audit and Compliance
Chair Paul K. Kelly reported that the Audit & Compliance Committee met and approved the 2007 work plan as proposed by the Office of Audit & Compliance and Privacy. He noted that a major responsibility of the committee is monitoring the adequacy of our financial risk control systems, and in this regard the committee received a report regarding the University’s efforts to prevent breaches of security related to credit card transactions. He reported that the University is diligently assessing its potential vulnerability and enhancing its policies and practices to achieve full compliance by December 2006. Finally Mr. Kelly reported that with the help of the financial staff of the University, the Health System, and outside auditors PricewaterhouseCoopers, the committee reviewed the preliminary progress on the compilation and preparation of the fiscal year 2006 audit and are pleased to report that work is proceeding apace and in excellent fashion. Finally, Mr. Kelly thanked the staff of the Office of Audit and Compliance and Privacy for their excellent support.

Budget and Finance
Chair L. John Clark reported that the Budget & Finance Committee met to review results for the University and Penn Medicine for the ten-month period ended early April 2006. The committee also reviewed presentations on the operating budget and capital budgets for both entities, as well as a presentation on the redevelopment plan for 3900 Walnut Street. Mr. Clark assured the Board that the committee examines the budgets very carefully, and is cognizant of the requirement to pay down debt.

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

- Resolution to Authorize the Fiscal Year 2007 Operating Budget for the University of Pennsylvania (p. 30)
- Resolution to Authorize the Fiscal Year 2007 Capital Plan for the University of Pennsylvania (p. 31)
- Resolution to Authorize the Fiscal Year 2007 Operating Budget for the University of Pennsylvania Health System (p. 32)
- Resolution to Authorize the Fiscal Year 2007 Capital Budget for the University of Pennsylvania Health System (p. 33)
- Resolution to Amend the Authorization to Complete the Construction of Phase I of the Perelman Center for Advanced Medicine (p. 34)
- Resolution to Authorize the Development and Construction of an Integrated Radiation Oncology and Proton Therapy System, including Acquisition of Equipment for the Proton Beam Therapy Center (p. 36)
- Resolution to Authorize the Purchase, Improvement, Sale and Lease-Back of a Research Laboratory in Glenolden, Pennsylvania for the School of Medicine (p. 39)
- Resolution to Authorize the Demolition of Pennsylvania Hall at the Site of the Former Philadelphia Civic Center and Associated Infrastructure Improvements (p. 41)
- Resolution to Authorize the School of Medicine Research Building Feasibility Study (p. 43)
- Resolution to Authorize the Design and Construction of the David Rittenhouse Laboratories Elevator Renovations in the Amount of $1.3 Million (p. 44)
- Resolution to Authorize Street Lighting and On-Campus Lighting Initiatives in the Amount of $2.57 Million (p. 45)
- Resolution to Authorize the Design and Construction of the Biomedical Research Building/Clinical Research Building Masterplan Phase II in the Amount of $3.25 Million (p. 46)
- Resolution to Authorize the Design and Construction of the Blockley Hall 2nd Floor Renovations in the Amount of $3.162 Million (p. 47)
- Resolution to Authorize the Disposition and Development of Certain Property on the 3900 block of Walnut Street (p. 48)
- Resolution to Authorize Campus Electrical Infrastructure Upgrades in the Amount of $5 Million (p. 49)
- Resolution to Declare the University’s Intent to Reimburse Capital Costs with Proceeds of Borrowings (p. 50).

**Development Committee**

Chair David M. Silfin reported on behalf of the Development Committee that, as the end of the first “not-so-quiet” year of the seven-year campaign approaches, the committee projects that the
University will exceed its “stretch goals” fundraising. Through the end of May, cumulative gifts and pledges totaled $417 million, which is 5% above the goal for the year, and cash receipts recently surpassed the target of $385 million for the year. Mr. Silfen reported that the committee had a spirited discussion on a variety of campaign planning issues, including: core campaign priorities, the campaign positioning statement that will be used extensively at the feasibility meetings and interviews with top prospects, and a further refinement of the timeline, with an anticipated kick-off in October 2007. Finally, on behalf of the committee, Mr. Silfen thanked the University leadership and Development staff for their terrific leadership.

External Affairs
Chair Andrea Mitchell reported that the External Affairs Committee had its yearly update from WXPN on its operations and new activities. She noted that General Manager Roger LaMay reported the new facilities, which have generated higher operating costs for the station but have proven very beneficial for its industry reputation, technical quality, and broader visibility to various groups across the region. The result is a $330,000 surplus, despite higher operating costs and lower revenues from the partnerships with the World Café Live. The committee also heard from Executive Vice President Carnaroli on the Economic Impact Report referenced by the President earlier which highlights the University’s economic activity and statewide growth. Ms. Mitchell reported that the committee heard a communications update from Vice President for University Communications Lori Doyle. In addition, Vice President for Government, Community, and Public Affairs Van McMurtry presented a government affairs update and introduced the new Associate Vice President of Federal Affairs, Bill Andresen, who will be opening a Washington office in the near future. Ms. Mitchell concluded by reporting that Governor Rendell delivered a $13.5 million dollar check to Penn’s New Bolton Center during a recent visit to Kentucky Derby Winner Barbaro.

Facilities and Campus Planning
Mr. Robert M. Levy reported on behalf of Chair Bill Mack that the Facilities and Campus Planning Committee discussed the 3900 Walnut Street development. He noted that this new mixed-use development will replace an existing one story retail space and a former movie theater. The project is targeted to attract undergraduate and graduate students, currently living off-campus, into the complex, which will have 500 beds and utilize a mixture of unit types. Its 50,000 gross square footage of retail space will enliven Walnut Street, providing continuity with adjacent retail activity. This development is anticipated to break ground in late 2006 and is scheduled for occupancy in the fall of 2008. Mr. Levy stated that Chairman Jim Riepe had noted that the strategic investment made by the University at 40th and Walnut Streets is now yielding significant private investment into this dynamic campus neighborhood.

Neighborhood Initiatives
Chair Gilbert F. Casellas reported that the Committee on Neighborhood Initiatives received updates on two important initiatives: education and the community mortgage program. He reported that GSE Dean Susan Fuhrman and Associate Dean Nancy Streim provided updates on the Penn Alexander School, Penn's two other Partnership Schools (Lea and Wilson), and the status of the international studies high school. Vice President of Business Services Marie Witt provided an update on the Community Housing program. He noted that the programs have been extremely successful and the Community Housing Office has tried to tailor its programs to reach
all levels of staff members. Mr. Casellas indicated that the limited inventory within the existing boundaries is keeping purchases in 2006 low, but interest among weekly-paid staff, monthly-paid staff, and faculty remains high. He reported that participation in both the guaranteed mortgage and enhanced mortgage programs is highest among monthly-paid staff at 55%; with weekly-paid staff and faculty at slightly over 20% each.

Student Life
Mr. William Lauder reported on behalf of Chair Alan Hassenfeld that the Student Life Committee considered two topics: College House transition planning, especially the first-year residential experience, and Penn’s Student Health Service and the student health insurance plan. The committee discussed the possible isolation of the approximately 300 first-year students and how to house these freshmen in a manner in which they feel part of a community. He reported that the committee discussed what the ideal housing experience would look like in the future. The committee also heard a report from Dr. Evelyn Weiner on the Student Health Service. Mr. Lauder noted that Dr. Weiner shared information about the ways that student demographics are changing the roles of health services, and how college students can best access the health system. He noted that the committee will continue to challenge the Student Health Service to provide superior care for the students, and that they are in the forefront of health care issues.

Investment Board
Mr. Mark O. Winkelman reported on behalf of Mr. Howard Marks that the Investment Board met on Wednesday. He reported that the endowment had another strong quarter, with returns at 5.1% for the period ending March 31, 2006, bringing the fiscal year-to-date return for that nine-month period to 12.8%. He noted that this return compares quite favorably with composite benchmarks which show a return of 11.8%. Mr. Winkelman reported that the endowment substantially outperformed a simple return of 70% equity and 30% fixed income, which would have returned only 7.7% during that period. He noted that for the quarter-ending and the fiscal year-to-date, Penn benefited quite strongly from the performance of the equity return across the globe. The Russell 3000 index in the United States was 11.8% for that period. The EC+ Canada Index was up by 26% and emerging market index increased by almost 42%. As previously reported, Mr. Winkelman noted that Penn had shifted its allocation to the international equities and emerging markets, and had reduced its allocation in U.S. equities and fixed income markets, which substantially contributed to these very strong results. He reported that during the month of April, the return for the endowment was 15% on a year-to-date basis. However, he noted that the quarter is not over yet, and that volatility, particularly in the concentrated markets, has increased. Mr. Winkelman noted, however, that the committee continues to believe that the long-term strategy of emphasizing international emerging markets is a sound one.

Penn Alumni Report
Penn Alumni Chair Paul C. Williams reported on the slate of new alumnae trustees. He noted that the Nominations Committees recommended M. Claire Lomax, Esq., C'84 from the Philadelphia area, and William W. M. Cheung, D.M.D., D'81, GD'82 of Hong Kong to fill the at-large alumnae trustees position for five-year terms beginning January 1, 2007. He summarized activities of Alumni Weekend and the Penn Online Community. Mr. Williams also reported on the Alumni Relations Strategic Planning Task Force, which is working to develop and articulate a strategy that will address issues of effectiveness, efficiency, collaboration, and accountability;
enhance the coordination and the collaboration of the Alumni Relations organization; and improve the Alumni Relations development activities that coincide with each of the individual schools. He noted that over the course of the next two months, the Task Force will continue to meet and plan to develop a summary of the programs and priorities.

**Appointments to Overseer and Other Boards**
The following resolutions were presented and approved (full resolution text is appended):
- Resolution to Appoint John E. Parker to the Penn Medicine Board (p. 53)
- Resolution to Appoint and Reappoint Members of the Penn Medicine Executive Committee (p. 54)
- Resolution to Reappoint Members of the Penn Medicine Board (p. 56)
- Resolution to Reappoint Christopher H. Browne as Chair of the Board of Overseers of the School of Arts and Sciences (p. 58)
- Resolution to Appoint Lewis E. Proffitt to the Board of Overseers of the School of Dental Medicine (p. 59)
- Resolution to Appoint Robin M. Beckett, Leslee B. Halpern-Rogath, and Keith L. Sachs to the Board of Overseers of the School of Design (p. 60)
- Resolution to Appoint Joel M. Greenblatt and Gregory A. Milken to the Board of Overseers of the Graduate School of Education (p. 61)
- Resolution to Appoint Rajeev Misra to the Board of Overseers of the School of Engineering and Applied Science (p. 62)
- Resolution to Appoint Sarah A. McEneaney to the Board of Overseers of the Institute of Contemporary Art (p. 63)
- Resolution to Appoint Alan L. Beller and Derek Nicholas Pew to the Board of Overseers of the Law School (p. 64)
- Resolution to Appoint Ghislain Gouraige to the Board of Overseers of the University Libraries (p. 65)
- Resolution to Appoint William Egan II to the Board of Overseers of the Wharton School (p. 66)
- Resolution to Reappoint Geoffrey Boisi, L. John Clark, Ann McLaughlin Korologos, Ronald Perelman, and Mark Winkelman to the Board of Overseers of the Wharton School (p. 67)
- Resolution to Appoint Laurie J. Landeau as Chair of the Board of Overseers of the School of Veterinary Medicine (p. 68).

Respectfully submitted,

Leslie Laird Kruhly
Secretary of the University