

**University of Pennsylvania Board of Trustees
Executive Committee**

September 18, 2008

MINUTES

A meeting of the Executive Committee of the Trustees of the University of Pennsylvania was convened on Thursday, September 18, 2008, at 1:52 p.m. in Bodek Lounge, in Houston Hall.

Trustees present at the meeting were: James S. Riepe (Chair), Christopher Browne, L. John Clark, David Cohen, Lee Spelman Doty, Amy Gutmann, Andrew Heyer, William Mack, Deborah Marrow, Egbert Perry, Alvin Shoemaker, David Silfen and Mark Winkelman.

Administrators and guests present were: David Ashkenazi, Craig Carnaroli, Ronald Daniels, Lori Doyle, Bonnie Gibson, Stephen Golding, Leslie Laird Kruhly, Adam Michaels, Marguerite Miller, Joann Mitchell, Susan Phillips, Andrew Rennekamp, Gregory Rost, Arthur Rubenstein, 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.

Chairman James Riepe called the meeting to order.

Chair's Report

Chairman Riepe welcomed everyone to the September meeting of the Executive Committee. Mr. Riepe commented that over the last four years Dr. Gutmann has stressed the importance of recruiting good faculty members and at this meeting the trustees would have the privilege of approving a resolution to appoint Dr. Amy Gutmann as the Christopher H. Browne Distinguished Professor of Political Science. He also thanked Chris Browne for creating several named faculty chairs and for increasing his commitment to establishing additional chairs.

Mr. Riepe noted that in October, Mr. William Mack will receive the Joseph Wharton Lifetime Achievement Award from the Wharton Club of New York. Finally, Mr. Riepe commented that he attended Convocation and reported that he was pleased to see tremendous enthusiasm for Penn from the incoming class.

The minutes of the May 15, 2008 meeting were approved as distributed.

President's Report

Dr. Gutmann reported that a major announcement regarding the Penn Integrates Knowledge Neuroscience Initiative was made today, thanks to an unprecedented \$50 million contribution from Penn's Health System. This contribution will support five new PIK university professors, each of whom will have a joint appointment with the School of Medicine and another school at

the University in the area of neuroscience. This contribution also will provide start-up funds for the PIK professors and strengthen interdisciplinary initiatives between the School of Medicine and other schools within the University.

Dr. Gutmann welcomed John Gearhart, the eighth PIK Professor. Dr. Gearhart leads the Institute for Regenerative Medicine and will position Penn as a global leader in the burgeoning area of stem cell research. He will hold the James W. Effron University Professorship and his appointment will be shared between the School of Medicine and the School of Veterinary Medicine.

PIK professorships are just one example of the momentum generated by the *Making History* Campaign. Dr. Gutmann reported that \$2.136 billion has been raised, which represents 61% of the goal of \$3.5 billion.

In the first year of the campaign's public phase, multiple records were broken: \$607.5 million in new commitments; \$475.9 million in cash receipts; and \$55.7 million in annual giving. Support for the Penn Fund reached another all-time record of more than \$27 million.

Of note are three recent gifts to the campaign:

- Pfizer, Inc. made a \$15 million grant to Penn Medicine for basic and translational research in several therapeutic areas, with an initial focus on neurosciences and oncology.
- Former Trustee and Emeritus Law School Overseer Charles Heimbold (L'60) and Monika Heimbold made a \$5 million commitment to the Law School to create an endowed chair in international law.
- An anonymous \$5 million commitment to Athletics will support the creation of a new intercollegiate varsity weight room in the Weiss Pavilion in the northern arcade of Franklin Field.

Dr. Gutmann announced that professor emerita of physics, Fay Ajzenberg-Selove, will accept the 2007 National Medal of Science at the White House later this month.

Earlier this month, Penn's Class of 2012 was officially recognized at Convocation. This class is the most academically accomplished and economically, geographically and racially diverse class in Penn's history.

Dr. Gutmann reported that three phases of the \$106 million renovation of Harnwell, Harrison and Rodin College Houses have been completed, and that heating, cooling, lighting and elevator systems upgrades in Mayer, Hill and DuBois Houses also have been completed.

In addition to student housing improvements, continued development of academic, research, and multi-use real estate projects include: the Anne and Jerome Fisher Translational Research Center; the Krishna P. Singh Center for Nanotechnology; the Music building; a new Franklin Field arcade and fitness center; and the conversion of a 10-acre lot along the banks of the Schuylkill River into Penn Park.

Dr. Gutmann also reported that the College of General Studies will now be called the College of Liberal and Professional Studies to reflect its strengths and mission.

Academic Report

Provost Ron Daniels reported that in July, Student Health Services (SHS) moved to a brand new center at 3535 Market Street. The new SHS space is 24,000 square feet, with 53 patient rooms and separate offices for doctors and other staff, and is more than twice the size of the previous suite in the Penn Tower. Approximately 72% of Penn's 20,000 eligible students make at least one visit to Student Health each year, and the new space will increase the quality of their care. Students are excited about the centralized women's health clinic, the computer check-in stations, and the general aesthetic upgrade. SHS Director Evelyn Wiener noted that the new space with its integrated nurses' stations promotes better communication and teamwork among the doctors, nurses and staff.

Provost Daniels reported that the School of Arts and Sciences is in the process of launching two new interdisciplinary graduate groups: Africana Studies and Applied Mathematics and Computational Science (AMCS). Core faculty for the Ph.D. program in Africana Studies will come from a number of Schools, including SAS, the Law School, GSE, Nursing, and Wharton. AMCS, which offers master's and doctoral degrees, is emphasizing interdisciplinary research in fields such as image analysis, robotics and genomics, as well as more traditional applied fields such as materials science, numerical analysis and condensed matter physics. Faculty for this program will hail from math, physics and biology in SAS and various departments in SEAS, Wharton, and Medicine.

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

- Resolution on Faculty Appointments, Leaves and Promotions (p. 1)

Financial Report

Executive Vice President Craig Carnaroli noted that both the Audit and Compliance Committee and the Budget and Finance Committee received financial reports on the fiscal year ended June 30, 2008. He reported that it was a very positive year from a financial perspective. From the consolidated university perspective, the impact of the campaign is shown through the growth in both operating contributions as well as contributions to support endowment and capital. The Health System continues to produce very positive operating results as a result of continued growth in key clinical services. There are some challenges ahead including the uncertain investment climate and sponsored programs have not grown consistently with inflation.

Turning to the University, Mr. Carnaroli reported that it also had a favorable financial performance. Vice President for Budget and Management Analysis Bonnie Gibson reported that we exceeded our budget, favorably, for the sixth year in a row. This can be attributed to the success of the campaign. The Health System also reported a favorable performance due in part to growth in admissions, up 4.5%. The Health System continues to reinvest aggressively in capital and spent \$352 million on capital for the Perelman Center for Advanced Medicine, the

Roberts Proton Therapy Center and the Penn Medicine Rittenhouse campus. Even with all of this activity, the balance sheet continues to be strong. Days in accounts receivable remain below 40 and the overall unrestricted liquidity position remains very consistent with highly rated health care organizations.

Penn Medicine Report

Executive Vice President for the Health System and Dean of the School of Medicine Dr. Arthur Rubenstein noted that in the most recent NIH funding ranking, Penn Medicine is #3 in the nation. These funds are awarded competitively across all the schools, universities and research institutes in the country. In addition, two of our scientists have received the most prestigious NIH awards. Dr. James Eberwine of the Department of Pharmacology, a neuroscientist, has been awarded an NIH Pioneer Award. Fifty are awarded every two or three years for innovative research. Dr. Aaron Gitler of the Department of Epidemiology, has been named the recipient of an Innovator Award. This award goes to 30 young researchers across the country.

Dr. Rubenstein was pleased to note that this year's class is 154 students, chosen from over 6500 applications. The class began the year with the "White Coat" ceremony at which Penn Medicine trustee Dr. Henry Foster spoke. The ceremony is attended by parents, spouses and family members and Dr. Rubenstein is particularly proud of this beautiful and moving ceremony.

In closing, Dr. Rubenstein reminded trustees that on October 2, 2008, Penn will dedicate the Perelman Center for Advanced Medicine. This facility, dedicated to outpatient care, would not have been possible without the vision and support of this Board, the PENN Med Board, PENN Med Chair David Cohen, Dr. Gutmann, Provost Daniels, Craig Carnaroli and Ralph Muller. Dr. Rubenstein believes this will be a tribute to the vision of the university. In 2009 the Roberts Proton Therapy Center will open, followed by the Fisher Translational Research Center.

Audit and Compliance Report

Mr. Riepe presented the report in the absence of Chair Jay Fishman. The Committee received a report from Keith Kasper on behalf of the Penn Medicine Audit and Compliance committee. He noted that the FY2008 audited financial statements for UPHS have been discussed along with PricewaterhouseCoopers's (PwC) report on the audit. Mr. Kasper reported that the Penn Medicine Audit and Compliance committee accepted the UPHS audited financial statements and recommends their approval by the University board. The committee then received details from the University and Penn Medicine management on significant accounting and reporting matters for fourth quarter and the FY2008. PricewaterhouseCoopers provided reports and required communications on their audits of the University and Health System financial statements. Mr. Riepe noted that PricewaterhouseCoopers reported no significant deficiencies or material weaknesses in the internal controls and expressed clean opinions on both the University and Health System financial statements.

In conclusion, Mr. Riepe congratulated the University & UPHS finance divisions and PricewaterhouseCoopers in meeting their goal to complete the audit and have the statements approved one month earlier than in prior years.

The following resolution, already reviewed and approved by the Audit and Compliance Committee, was presented and approved (full resolution text is appended):

- Resolution to Approve the Audited Financial Statements for Fiscal Year 2008 (p. 37)

Budget and Finance Report

Budget and Finance Committee Chair Mark Winkelman reported that the University, including the Health System, had another strong financial year. Net assets were up \$134 million, despite negative returns on the endowment due to the downturn in the equity markets. Consolidated operating cash remained stable and operating performance continued to be strong with a 7% positive operating margin. Sponsored programs increased slightly above FY07 levels. Fundraising was very strong and capital expenditures were up, as planned in FY08, at \$224 million. In addition, Mr. Winkelman was pleased to report that the consolidated university received a credit ratings upgrade from S&P from AA to AA+.

The University outperformed budget on both an RCM and GAAP basis with strong performance in tuition, contributions, independent operations, support from the Health System and other income. Direct research was slightly above budget, but indirect cost recovery was below budget. There was a positive variance in salaries and benefits, current expense and interest expense. Capital expense was slightly above budget due to the purchase of the postal properties.

The Health System had another strong year financially. Unrestricted assets grew by 17% over FY07. The operating margin was 8.3% for an amount of \$235 million. During FY08, the Health System made significant investments both in inpatient and outpatient capacity with the opening of the Perelman Center for Advanced Medicine and the Penn Medicine at Rittenhouse campus. This will result in expanded capacity in beds, surgical imaging etc. The Health System received credit ratings upgrades from both Moody's and S&P to Aa3 and AA-, respectively.

Lastly, Mr. Winkelman was pleased to report that the University's exposure in this unpredictable financial market was very small, with little exposure to the recently named compromised financial institutions.

The following resolutions, already reviewed and approved by the Budget and Finance Committee, were presented and approved (full resolution text is appended):

- Resolution to Authorize Pathology/Pathobiology Lab Relocation in the Amount of \$1.790 Million (p. 38)
- Resolution to Authorize Regenerative Medicine Laboratory Renovation, Rosenthal 3rd Floor in the Amount of \$4.35 Million (p. 39)
- Resolution to Authorize Sansom Place East and West Elevator Modernization in the Amount of \$3 Million (p. 40)
- Resolution to Authorize Design and Construction of Maloney 9 Renovations for ITMAT for an Additional \$500,000 (for a Total Revised Budget of \$3.6 Million) (p. 41)

- Resolution to Authorize Design and Construction of Maloney 1 Renovations for Center for Neurodegenerative Disease Research in the Amount of \$3.6 Million (p.42)

Appointments to Other Boards

Mr. Riepe presented the following resolutions which were approved (full resolution text is appended):

- Resolution to Appoint David Brush, Steven A. Nichtberger, and Mark Rachesky to the Board of Overseers of the School of Arts and Sciences (p. 43)
- Resolution to Appoint Jon M. Burnham and Paul S. Levy, Esq. to the PENN Medicine Board (p. 44)
- Resolution to Appoint Paul S. Levy, Esq. to the PENN Medicine Executive Committee (p. 45)
- Resolution to Appoint Andrew M. Heller and Sukanto Tanoto to the Board of Overseers of The Wharton School (p. 46)

The meeting concluded at 2:17 p.m.

Respectfully submitted,

Leslie Laird Kruhly
Secretary of the University