Chairman David Cohen welcomed everyone and called the meeting to order.

Chair’s Report

Mr. Cohen noted the earlier discussion of the pending debt resolutions by the Executive Committee and called on Vice President for Finance and Treasurer Stephen Golding for a brief presentation.

Mr. Golding stated that there were currently three negative factors affecting the sale of bonds. He noted that in the last quarter of 2010, there was a slight increase in rates. He reassured the Committee that, after comparing the rates against the historic pattern across all maturities, the rates are well below the historic average. He also noted that the expiration of the Build America Bond program-the subsidized taxable bond program-might shift some supply back into the municipal market. Lastly, Mr. Golding cited a number of negative articles about the government side of the municipal market in terms of potential defaults, which has resulted in a flow of funds out of that market.

On the positive side, Mr. Golding noted that January and February are typically favorable months for issuing tax-exempt debt because of the payment of principal and interest, which is very high in January and allows many funds to be reinvested in the market at that time. Mr. Golding added that he thought that supply would be fairly moderate in the near future as tax-exempt issuance had recently been light.

Mr. Golding discussed Penn’s Ivy+ peers. In the fourth quarter of 2010, Harvard downsized a $750 million deal to $600 million, comprised of $150 million in new money and $450 million in
refinancing and restructuring. Columbia University will likely go into the market for approximately $300 million in the first quarter of 2011. It is currently estimated that Penn will borrow between 4.9% and 5% on a 30-year basis for the University and approximately 50 basis points above that for the Health System. He assured that this was a fairly reasonable level based on other offers.

Mr. Golding outlined the process of issuing bonds. The University has lined up a team of investment bankers, underwriting counsels, and various other parties, and will put together a tentative closing schedule. The bonds will be issued in two tranches - the University the week of February 7, 2011 and the Health System the following week. He added that the Debt Subcommittee would meet in the near future to review the pricing and structure.

Mr. Cohen then solicited input from the Committee.

In response to a question about rating agency views, Mr. Golding replied that the ratings would likely be upheld since the University uses the same metrics as the rating agencies in order to determine debt capacity. Additionally, Penn has been meeting with the rating agencies on an annual basis and had indicated that going to the market was a possibility in the near future.

In response to a question of the debt’s ability to fulfill the University’s financial needs for an extended period of time, Mr. Golding stated that, although Penn might look in the future to the market for opportunities, it would be able to reimburse and fund many current and upcoming projects.

Executive Vice President Craig Carnaroli presented the following resolutions, which were approved:

- Resolution to Authorize the Financing of Certain Capital Projects for the University of Pennsylvania (p. 1)
- Resolution to Authorize the Financing of Certain Capital Projects for the University of Pennsylvania Health System (p. 3)

At 2:10 p.m., the meeting went into a series of executive sessions.

Respectfully submitted,

Leslie Laird Kruhly
Secretary of the University