A telephone conference meeting of the Executive Committee was held on March 23, 2012 in Room 105 College Hall.

Trustee Committee members: David L. Cohen (Chair), David Silfen (Vice-chair), George Weiss (Vice-chair), Lee Spelman Doty, Amy Gutmann, Andrew R. Heyer, Michael J. Kowalski, Andrea Mitchell, James S. Riepe, and Mark O. Winkelman.


The complete text of the resolution passed in the course of the meeting is appended to this document and is to be considered part of the official record of this meeting.

Chair David Cohen began the meeting by asking President Amy Gutmann and Craig Carnaroli, Executive Vice President, to give a brief introduction to the topic.

Mr. Carnaroli summarized that there is a new phenomenon in the debt markets: “Century Bonds”—bonds that have an interest only maturity rate of one hundred years. US Treasury rates are the basis for pricing these bonds. Stephen Golding, Vice President of Finance and Treasurer, went into more detail of the issue.

Mr. Golding stated that interest rates are at historically low levels and several Universities have already taken advantage of the market to issue century bonds at attractive pricing. The Treasurer’s Office has been watching the market since the February Budget and Finance Committee meeting and for Penn, Mr. Golding estimated a credit spread somewhere around 120–135 basis points based on the current treasury rates, which would put the University at a rate somewhere in the 4.70’s.

Mr. Golding then discussed call provisions associated with these bonds and various penalties if rates changed. If rates went up to 125 basis points, the University would be at a break even position and could call the bonds at par. Mr. Golding also reported that tender offers are possible for these bonds and can result in an even a better price. Mr. Golding also noted that the spreads between the 100 year and the shorter 30 and 40 year were relatively flat.

Mr. Golding then discussed ways the University could use the proceeds from these bonds to support energy-efficient infrastructure and deferred maintenance projects. Mr. Golding stated that financial modeling shows that by taking advantage of these cost saving opportunities, the University could actually cover the debt service on the bonds. President Gutmann added that she had asked Anne Papageorge, Vice President, Facilities & Real Estate Services, to show how she
could use this issuance in order to actually generate some savings and help the University fulfill its goals on sustainability and deferred maintenance.

Mr. Golding stated that the plan would start pricing on an issue of $250 million, and if conditions were favorable that issuance could be extended up to a maximum of $350 million.

Mr. Cohen took a vote on the resolution, and it passed unanimously. He thanked the Debt Subcommittee for its time and expertise and adjourned the meeting at 4:22 p.m.

Resolutions
Mr. Cohen presented the following resolution, which was approved (full resolution text is appended):

- Resolution to Authorize the Incurrence of Indebtedness for the University of Pennsylvania

Respectfully submitted,

Leslie Laird Kruhly
Vice President and Secretary of the University