

L E T T E R
T H E P R E S I D E N T

Scott S. Cowen



August 24, 2006

Dear alumni, faculty, staff and friends:

It's not often that one can say, "What an unbelievable year we've had," and have it be an understatement. But that definitely describes the last 12 months at Tulane.

As we go into our first post-Katrina academic year, I want to update you on the university's financial position and priorities. This letter contains a balanced, realistic perspective of our challenges as well as our sources of hope and optimism.

In moving past the greatest urban disaster in the nation's history, it is impossible to escape the awesome sense of history unfolding around us. The challenges are great, the obstacles many, and yet the opportunity for renewal and growth is unprecedented. The largest obstacles we face are financial ones, and just as we have counted on your support in the past, by using the enclosed envelope, you can continue to stand by Tulane at this historic time. I hope to count you among the many who have already supported us through this difficult time.

OVERHEARD
AT TULANE

"The idea that every individual counts helps us fight the real axis of evil—poverty, ignorance and disease."

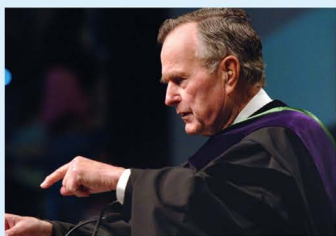
—Madeleine Albright, 64th
U.S. Secretary of State, at a
June 25 speech on the
Tulane uptown campus



Office of the President
6823 St. Charles Ave.
New Orleans, LA 70118-5698
Tel 504.865.5201 Fax 865.5202
scowen@tulane.edu

"The floodwater may have breached the levees that surround this city and destroyed home after home and block after block, but it couldn't break the spirit of the people that call this remarkable and improbable city home."

—George H.W. Bush,
41st U.S. president,
speaking at the May 13
Tulane University
commencement ceremony



OVERHEARD AT TULANE



"When I think of all you have endured in this great city I have loved all my life, I'm reminded of a phrase that Ernest Hemingway made famous: 'Life breaks everyone and, afterward, many are strong at the broken places.'"

—William Jefferson Clinton, 42nd
U.S. president, speaking at
the May 13 Tulane University
commencement ceremony

THE CHALLENGES AHEAD

When all was said and done, Tulane sustained property damage of at least \$160 million from Katrina, about \$125 million in lost research assets, library and fine arts collections and building contents, and an operating loss totaling about \$100 million for the fiscal year that just ended. These figures are in line with our previous projections.

The university had insurance policies at the time of the storm. We have received \$105 million in insurance recovery, which we have used to pay the contractors for property repairs. As all of you know, dealing with insurance is a slow and painstaking process, and the amount and timing of additional payments are uncertain. We have funded the remaining operating and property losses with proceeds from the \$150 million bond issue arranged last fall as interim financing. Finally, we have received a nominal amount from FEMA—approximately \$145,000—and cannot predict the amount and timing of any future payments. We have recovered the full policy limits from two of our property insurers but, unfortunately, are involved in litigation with Allianz, one of our excess property insurers. Be assured, however, that we will continue to aggressively pursue FEMA and insurance recoveries.

Tulane University's pooled endowment has performed well this year, generating a total return of approximately 13.5 percent for the 12 months that ended in June. The university's total endowment now stands at approximately \$888 million, including charitable funds. Our fundraising staff, though small in number and hampered by losing several months to the storm, raised \$76.2 million, our second-largest year of the campaign. Research funding also looked strong through June 30 with an estimate of \$130 million being awarded to Tulane this year in comparison to \$137 million last year. All of these successes are already factored in our projected losses for FY 2006.

As we begin the new fiscal year, we forecast an operating loss of \$31 million (approximately 5 percent of our annual operating budget). This projection is \$11 million higher than originally forecast last December. The difference primarily results from lower student enrollment, reduced clinical activities and higher costs in areas such as insurance, utilities and contracted services. Operating losses could have been as high as \$75 million without the development and implementation of the Renewal Plan that I outlined to you in my last letter and that you can still read online at <http://renewal.tulane.edu>.

How quickly we are able to bounce back depends on variables that are mostly out of our control, such as the pace of New Orleans' recovery, the state of area medical care and its effect on our clinical operations, and the perception of New Orleans by our constituents. The latter concern has impacted our fall 2006 class of incoming first-year and transfer students, which we anticipate will number around 1,050. Negative press coverage about the recovery of New Orleans is the single largest factor in our reduced numbers.

AND NOW FOR THE GOOD NEWS

Despite smaller-than-anticipated numbers of incoming students this fall, we had more than 93 percent of our full-time undergraduates return to Tulane this past spring, and we expect

a high percentage of those who did not graduate to return this fall. We anticipate our full-time undergraduate population to be just more than 5,100 students. While this represents a 23 percent reduction from our pre-Katrina undergraduate population, it is consistent with the Renewal Plan. We remain committed to making Tulane smaller and stronger, with the same level of high-quality students in our entering classes. I'm pleased to say we have been able to adhere to these goals.

Moving beyond fiscal matters, we continue to work to ensure that our students, faculty and staff have the best possible conditions in which to spend their time at Tulane University. The turnover of faculty for this academic year is less than anticipated and we have been successful in recruiting full-time faculty in needed areas. Our goal of enhancing undergraduate education will benefit from our smaller size in terms of the percentage of full-time faculty teaching undergraduates, and the increased number of opportunities for undergraduates to participate in academic and community-based programming. Finally, enrollments in our professional and graduate schools are consistent with our original projections.

In the meantime, exciting things are going on at the university as phases of the Renewal Plan went into effect on July 1. I'm pleased to say that the new Center for Public Service is up and running at full speed. An outgrowth of our already successful Service Learning program, the center is coordinating academic and public service opportunities throughout the university and providing support to faculty members as they work public service components into their courses. Our faculty, staff and students are all excited about the possibilities this center offers, particularly given the great needs of New Orleans as rebuilding takes place.

Other Renewal Plan changes that went into effect on July 1 include: the formation of the single Newcomb-Tulane College, which will allow all incoming students, regardless of gender or major, to enjoy a common undergraduate experience and basic curriculum; the name change of University College to the School of Continuing Studies, which better reflects its mission and integration within the university; the transfer of master's- and doctoral-level program administration into their academic departments rather than a separate Graduate School; and the creation of an Academic Advising Center. The H. Sophie Newcomb Memorial College Institute also began its new role of enhancing the education of all women students, carrying forward the legacy of Newcomb College.

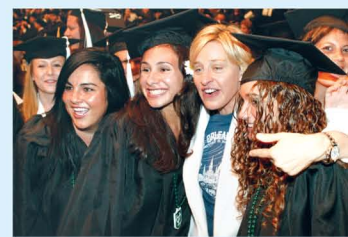
Our capital projects continue to progress as well. The renovated Lavin-Bernick Center for University Life (formerly known as the University Center) is scheduled for dedication on Dec. 6, and we have resumed the major renovation and expansion of Turchin Stadium, home of our outstanding Green Wave baseball program. With Tulane's acquisition of the Papillon Apartments early last spring, we now have the housing flexibility to proceed with plans to tear down Rosen House to provide much-needed parking space on campus and an improved "front door" on Claiborne Avenue. At our Health Sciences Center campus in downtown New Orleans, the School of Medicine completed its move to the 1555 Poydras building, where a state-of-the-art student center has been completed and renovation work continues on a new clinical skills facility and small group classrooms.



OVERHEARD AT TULANE

"Don't settle for style. Succeed in substance. President Cowen said, 'Don't come back if helping restore New Orleans is not in your DNA,' and 91 percent of you Tulane students have returned. Most of you have returned at a time when many would have stayed away."

—Wynton Marsalis, Pulitzer and Grammy winner and director of the Jazz at Lincoln Center program, speaking to a Jan. 16 crowd on Martin Luther King Jr. Day at McAlister Auditorium



"You are amazing people. To go through what you've gone through to get this far is an experience that I think will form you, shape you, and mold you—and, suddenly, you're Jell-O."

—Emmy-winning comedian Ellen DeGeneres, speaking at the May 13 Tulane University commencement ceremony



"This is an important time to discuss how a rebuilt New Orleans can keep alive its unique parades, festivals and celebrations, and how it can preserve its culinary and musical landscapes and revitalize its historic neighborhoods."

—*First Lady Laura Bush, speaking to a May 31 gathering on the Tulane uptown campus as part of the three-day conference on New Orleans' cultural rebirth, co-hosted by Tulane and the National Trust for Historic Preservation*



OVERHEARD AT TULANE

"Americans all have a stake in [rebuilding New Orleans]. Too much of the culture we all enjoy in this country is thanks to this great city and this great area."

—*NBC Nightly News anchor Brian Williams, (pictured above with news cameras; Williams, on the left, is with Tulane Board member Walter Isaacson) speaking to a May 31 gathering on the Tulane uptown campus as part of the three-day conference on New Orleans' cultural rebirth, co-hosted by Tulane and the National Trust for Historic Preservation*

There is also exciting news on the research front. We recently announced that Tulane will open a Good Manufacturing Practice facility in partnership with the Louisiana Gene Therapy Research Consortium. The GMP facility is the first of its kind in the state dedicated to producing adult stem cells for clinical trials. It is an example of the kind of forward-focused work being done at all levels and in all academic areas of the university.

A POSITIVE FUTURE

Despite the challenges, I am very optimistic about the future of Tulane University. This year, I will focus our attention on a number of objectives, a few of which are outlined below. Read them in full at http://www2.tulane.edu/president_objectives_2007.cfm.

A sampling of our 2007 goals includes:

- Continue to implement the Renewal Plan;
- Reintroduce the "Promise and Distinction" capital campaign so that it reflects the Renewal Plan and exceeds the goal of \$700 million by June 30, 2008;
- Find new ways to attract and retain a high-quality student body;
- Aggressively pursue insurance and FEMA recoveries;
- Develop a plan to rebuild athletics on a financially sound, competitive basis;
- Continue to be involved in New Orleans' recovery.

IN CONCLUSION

Tulane University has been blessed with a talented core of faculty, staff, students, alumni and friends who have stuck with us during the challenges of the past year. Personally, I am very committed to the recovery of New Orleans and the university and will continue to guide us through this process. There is no challenge too difficult to overcome and anything other than success is not an option.

As always, I welcome your thoughts and reactions.

Sincerely,

Scott Slouven