Minutes of the Stated Meeting of the
Trustees of the University of Pennsylvania
June 21, 2002

A Stated Meeting of the Trustees of the University of Pennsylvania was convened on Friday, June 21, 2002, at 11:15 a.m., in the Meade Room, Union League, 140 South Broad Street.


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.

I. Call to Order—Mr. James Riepe

A. Invocation—Rev. William Gipson

B. The minutes of the February 15, 2002, meeting were approved as previously distributed.

II. Chair’s Report—Mr. James Riepe

A. Comments

Mr. Riepe expressed sorrow at the passing of good friend of the University Robert L. Trescher, Esq., and gratitude for the devoted service of several other trustees.

The following resolutions were presented and approved (full resolution texts are appended).

Action 1. Memorial Resolution for Robert L. Trescher, Esq

Action 2. Resolution of Appreciation for Saul P. Steinberg and Designation as Emeritus Trustee
Mr. Steinberg was asked to say a few words in response to this resolution. He thanked the university for allowing him to serve. He stated that he had gotten more out of his service as a trustee and capital campaign chair than he had given. He assured the board that its best days were still ahead and that he looked forward to continuing to participate.

**Action 3. Resolution of Appreciation for Judith Roth Berkowitz**

Ms. Berkowitz was asked to say a few words in response to this resolution. She related her admiration for the people with whom she had served on the board. She thanked the University administrators, and especially the President and the Chair, for their support for the 125 Years of Women at Penn celebration. She thanked Mr. Shoemaker for starting the Trustees' Council of Penn Women. She expressed confidence that the newly appointed trustees would protect the legacy of the institution and thanked the board for the honor of serving.

**Action 4. Resolution of Appreciation for Charles D. Dickey**

**Action 5. Resolution of Appreciation for G. Morris Dorrance, Jr**

**Action 6. Resolution of Appreciation for Carl K. Kaysen**

**Action 7. Resolution of Appreciation for Jacqueline G. Wexler**

**Action 8. Resolution of Appreciation for Stanley N. Cohen, M.D.**

### III. President’s Report—Dr. Judith Rodin

#### A. Comments

Dr. Rodin reported on the success of presentations to almost 4000 alumni around the country and in London on the accomplishments of the Agenda for Excellence. She noted the commitment on the part of the alumni to continue to build on this great momentum. She mentioned that Penn's success continues to yield increasingly astonishing groups of incoming students. She noted that the Penn Campus had just hosted the annual conference of City Year, a service organization for young people between 18 and 25. The conference culminated in a day of service in nine public schools in West Philadelphia, including the Penn-assisted school, when volunteers erected new playground equipment, planted trees, landscaped, painted murals, and, inside the buildings, spruced up hallways and classrooms. These efforts represented a significant contribution—equivalent to $750,000—and are greatly appreciated.

Dr. Rodin noted that an exhibit of some of the work of undergraduate Penn Fine Arts students had recently closed at the Louis K. Meisel gallery in New York City. Mr.
Meisel, the father of a Wharton undergraduate student, invited the senior class to bring their exhibition to his gallery after seeing their thesis exhibition at Penn's Charles Addams Gallery. It was a wonderful tribute to their talent.

Dr. Rodin thanked John Fry, Ginny Clark, and Jim O'Donnell for their significant contributions to Penn's tremendous progress and wished them continued success.

The following resolutions were presented and approved (full resolution texts are appended).

**Action 1. Resolution of Appreciation for Virginia B. Clark**

**Action 2. Resolution of Appreciation for John A. Fry**


**Action 4. Resolution on Appointment of Lori N. Doyle as Vice President for Communications**

**B. Academic Report—Dr. Robert Barchi**

Dr. Barchi highlighted some of the achievements in the School of Engineering and Applied Sciences, which received a $10,000,000 gift, the largest gift in Penn Engineering's history, from Geri and Pete Skirkanich to construct Skirkanich Hall. Architects will be Todd Williams and Billy Tsien and groundbreaking is set for next summer. Engineering is a particularly challenging field for faculty gender equity and so Dr. Barchi was pleased to report that, since September, three new female faculty members have joined SEAS: Honghui Lu, Mahadavan Khantha, and Beth Winklestein.

Next Dr. Barchi provided a brief update on the Center for Undergraduate Research and Fellowship, or CURF, established in the fall of 2000 to advise and support Penn students as they compete for Rhodes, Marshall, Gates, Fulbright, Mellon, Mitchell, Luce, Churchill, Beinecke, and Soros scholarships. In the past Penn students had not received as many of these scholarships as their quality deserved. During CURF's first year, Penn students won all ten of these prestigious scholarships in the same year for the first time in the history of the university. The positive results continued this year with another Churchill winner, two more Gates winners, and Soros and Luce winners as well as six awards (three Mellons and three Goldwaters) of fellowships added to CURF's portfolio this year for the first time.

Dr. Barchi also reported on some notable recent faculty recognition. Just one week prior, Dr. Raymond Davis, Jr., research professor of physics and astronomy, was among 15 recipients of the 2001 National Medal of Science. This marked the second year in a row that Penn won this prestigious award.

The following resolution was presented and approved (full resolution text is appended.)
C. Financial Report—Mr. John Fry

Mr. John Fry presented the University financial report for July 1, 2001, to April 30, 2002. During the first ten months of FY02, the consolidated university academic component saw an increase in net assets of $162.2 million to a total of $4.7 billion. This increase was the result of an increase of net assets from operating activities of $68.5 million, along with an increase of non-operating revenue of $93.7 million. Plan assets net of depreciation have increased $65.4 million since June 30, 2001. The fair value of the university's endowment, excluding the health-services component, was $2.894 billion on April 30, an increase of approximately $53 million since June 30, 2001. The endowment achieved a 3.9% return through the first ten months, compared to a 2.8% loss for its benchmark.

FY02 operating revenue increased 13% over the comparable period in FY01. Sponsored program revenue increased 15% over the same period in FY01. Operating expenditures increased 9.4%, resulting from an increase in sponsored program costs and an increase in other salaries and benefits, reflecting an increase in the number of employees and the general wage increase for FY02.

While the university recorded an increase of 9.5% in its operating contributions from FY01 to FY02, it did see a decline in non-operating contributions from $143.8 million in FY01 to $80.6 million in FY02, due to several large gifts for endowment and capital received during the first ten months of FY01. Net cash provided by operating activities totaled $186 million in the first ten months of the fiscal year, compared to $151 million received during the same period in FY01. The principal use of cash was for the purchase of property, plant and equipment of $151 million, which is $42.5 million less than the capital investment activity through April of last fiscal year.

Through April 30, the health services component of the health system had an overall increase in unrestricted assets of $36.5 million. The net operating gain was $17.6 million for the year, which was favorable to budget by $2.6 million. After accounting for non-operating revenue and an unrealized loss on investments, the health-services component had an overall excess of revenue over expenses of $59.9 million before transfers to the School of Medicine and to the University. While cash and cash equivalents decreased by $20.8 million during the first ten months, they were better than budget by $10 million. Health services management continues efforts to improve accounts receivable collections. Days in account receivable fell to 78.4, which compares to 86 in June 30, 2001.

D. Penn Medicine Report—Dr. Arthur Rubenstein

Dr. Rubenstein reported that Penn Medicine was engaged in a major strategic planning initiative and that there was great excitement about the process. He was confident that they could harness the opportunities for academic medicine, which is on the threshold of
great success, and, notably, do so with stable finances. They will move ahead with this plan in the next six months and are committed to interdigitating it as closely as possible with the university plan. They are also committed to involving all constituents in the discussion.

Dr. Rubenstein noted that, as Mr. Fry mentioned, Penn Med finances were stable. He characterized the environment as challenging, but was nevertheless confident that Penn Med would have an excellent future.

Dr. Rubenstein reported that Dr. Kathy High had been appointed a Howard Hughes Investigator in the first group of appointments of these prestigious awards for patient-oriented research. He also reported on the establishment of several committees to look at both faculty development and also faculty diversity.

The following resolutions were presented and approved (full resolution texts are appended).

**Action 1.** Resolution on Amendment of the Bylaws of Penn Medicine and Appointment of the Vice President for Finance and Treasurer of the University to the Penn Medicine Executive Committee Ex Officio

**Action 2.** Resolution on the Naming of the Abramson Cancer Center of the University of Pennsylvania

Madlyn Abramson thanked Dr. Rodin and said how fortunate Penn was to have Arthur Rubenstein, noting in particular his commitment to compassionate care of patientes. She commended Craig Thompson for heading the Cancer Center's phenomenal research program. She promised that the Trustees could expect great things from the Cancer Center in the days ahead.

**E. Admissions Report—Lee Stetson**

Dean Stetson announced that Admissions had had a banner year, choosing a class of 2385 students from an applicant pool that was the second highest in Penn's history, at close to 19,000 applications. The entering class is in the top two percent of their high school graduating classes with average SAT scores of 1404, up from 1392 last year.

Penn accepted 48% of the class in the early-decision program, a group that was actually slightly stronger academically than the regular-decision group. Ten percent of the students come from the international community. All 50 states are represented. Thirty-five percent of the students are people of color from all walks of life and all backgrounds. The yield went from 58% to 62%, an all-time high that places Penn in the top two percent in the country in terms of yield.
The number of alumni applicants increased significantly over the last year, with 14% of the class or roughly 330 students coming from alumni affiliate backgrounds and families. Fifty percent of the class are women, compared to 42% fifteen years ago. Dean Stetson noted that the 40% increase in visitors to campus in the last three months bodes well for next year's admissions.

IV. Chair's Report—Mr. James Riepe

Mr. Riepe noted that he had skipped a section of the agenda and gave the floor to Vice Chair Michael Tarnopol.

A. Vice Chairman's Report—Mr. Michael Tarnopol

Mr. Tarnopol suggested that the board concurred wholeheartedly on the reelection of Jim Riepe as Chair.

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

Action 1. Resolution on Reelection of James S. Riepe as Chair of the Board of Trustees

B. Nominating Committee—Mr. James Riepe

As recommended by the Nominating Committee, the following resolutions were presented and approved (full resolution texts are appended).

Action 1. Resolution on Reelection of Jon M. Huntsman, Sr., Natalie I. Koether, Esq., and Michael L. Tarnopol as Vice Chairs of the Board of Trustees

Action 2. Resolution on Election of the Executive Committee

Action 3. Resolution on Appointment of the Investment Board

Action 4. Resolution on Reappointment of Paul K. Kelly as a Term Trustee

Action 5. Resolution on Reappointment of Carolyn Hoff Lynch as a Term Trustee

V. Committee Reports

A. Academic Policy—Ms. Natalie Koether

Ms. Koether reported that the committee concurred with the Medical School's proposal to establish a new Master's Program in Public Health Studies. The
proponents intend to use existing facilities and resources, including faculty and expect that revenues will exceed costs.

Dr. Rubenstein had presented the committee with a proposal to close the Department of Molecular and Cellular Engineering in the Medical School because a review committee had determined that the department was redundant. Remaining faculty would be reassigned to other departments by July 1.

In addition, the Committee was asked to consider the transfer of academic oversight of the master's degree in historic preservation program from the Graduate Council of the Faculties to the Graduate School of Fine Arts, as appropriate to a professional program.

Walter Licht, Associate Dean of the School of Arts and Sciences, advised the committee that the school was undergoing its ten-year accreditation process and that, in that connection, there would be a total review of graduate education.

As recommended by the Committee on Academic Policy, the following resolutions were presented and approved (full resolution texts are appended.)

**Action 1.** Resolution to Establish a Graduate Program in Public Health Studies

**Action 2.** Resolution to Close the Department of Molecular and Cellular Engineering in the School of Medicine

**Action 3.** Resolution on the Transfer of the Master's Degree in Historic Preservation from the Graduate Council of the Faculties to the Graduate School of Fine Arts

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**B. Audit and Compliance—Mr. Paul Kelly**

Mr. Kelly reported that the committee had received a report from auditors PricewaterhouseCoopers on the preparation of the fiscal year 2002 audit, which was progressing in a timely fashion. It also received presentations from University and Health System financial staff concerning recently implemented changes in accounting methodology. Finally, the committee received a status report on the activities of the office of Audit and Compliance and approved its work plan for fiscal year 2003. Mr. Kelly thanked the financial staffs of both the University and the Health System and the staff of the Office of Audit and Compliance for their cooperation and hard work throughout the year.

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**C. Budget and Finance Committee—Mr. John Clark**

Mr. Clark reported that the committee had reviewed the University financial results and the Health System financial results for the ten months ended the 30th of April 2002. It also reviewed the operating and capital budgets for the
University of Pennsylvania and for the Health System for the fiscal year 2003 as well as the capital plans for both entities. It reviewed a presentation on cash flow and long-term debt plans for fiscal year 2003 and beyond. The committee accepted all of these reports upon review. The committee also reviewed and approved 11 resolutions.

These resolutions, as follow, were presented and approved (full resolution texts are appended).

### Action 1
Resolution Authorizing the Fiscal Year 2003 Operating Budget for the University of Pennsylvania

### Action 2
Resolution Authorizing the Fiscal Year 2003 Capital Plan for the University of Pennsylvania

### Action 3
Resolution Authorizing the Fiscal Year 2003 Operating Budget for the University of Pennsylvania Health System – Health Services Component

### Action 4
Resolution Authorizing the Fiscal Year 2003 Capital Budget for the University of Pennsylvania Health System – Health Services Component

### Action 5
Resolution Authorizing Loan in the Amount of $3 Million to Owners of 3175 JFK Boulevard, Philadelphia, Pennsylvania (the "Conrail Building"), to Support Redevelopment of That Property

### Action 6
Resolution on Extending the Credit Facility for University of Pennsylvania Health Services Component Debt

### Action 7
Resolution on the Extension of the Term of Certain Indebtedness of Phoenixville Hospital of the University Of Pennsylvania Health System

### Action 8
Resolution on the Financing of a Capital Project and the Refinancing of Certain Indebtedness of Phoenixville Hospital of the University of Pennsylvania Health System

### Action 9
Resolution Authorizing a Succeeding Lease with Expansion Space for the Center for Bioethics and the Department of Medical Ethics on the Third Floor of 3401 Market Street for the School of Medicine

### Action 10
Resolution Declaring University’s Intent to Reimburse Capital Costs with Proceeds of Borrowings
D. Development Committee—Mr. Michael Tarnopol

Mr. Tarnopol reported that cash receipts totaling 293 million dollars received through mid-June had already set a new record for Penn. It was hoped that the final receipts for the year would reach 300 million dollars. Subscriptions received to date totaling 307 million dollars included an extraordinary new gift of 6 million dollars from Bill and Elise Michaeljohn in support of the fitness center. The committee was optimistic that the year-end results would make 2002 Penn's second best fund-raising year—a remarkable achievement given the challenges of the year.

The committee discussed the findings of the recently completed Penn Fund assessment as well as emerging fund-raising plans in support of the University's next strategic plan. Mr. Tarnopol thanked the trustees for their support and assistance during this past year. He also thanked Ginny Clark and her staff for the tremendous work that they have done for many years. The committee wished Ginny great success with in her new position in Washington.

E. External Affairs Committee—Hon. Marjorie Rendell

Judge Rendell represented Committee Chair Andrea Mitchell who could not be present. Radio station WXPN General Manager Vinny Curan had reported to the committee that WXPN's audience continued to grow, its revenues and cash reserves continued to increase, and students continued to be involved as a significant part of the operation. The World Café program was being distributed to 150 stations and had 500,000 listeners and on July 1, together with the Kid's Corner program, would be launched nationally in a satellite radio partnership. WXPN is hoping to relocate into the Hajoca Building on Walnut Street, to be developed in a public/private partnership. The move would make it possible to consolidate programming and administrative staff, currently housed at different locations.

The committee then received a presentation by Lori Doyle, Vice President for Communications, on her work in branding Penn. A new logo and home page redesign were being developed pro bono by Deutsch Advertising, firm of Penn alumnus Danny Deutsch. Research conducted on Penn's behalf, including an analysis of web sites for the top 28 colleges and universities, concluded that Penn lacked a consistent visual brand image. The web site design presented to the committee, to be launched in August, was a vast improvement.

A new logo would also be rolled out in the fall. A committee was working with Lori to develop standards for its use and to develop consistent sub-logos for all
Penn schools and programs. The deans were on board and the branding strategy had the full support of the President.

Ms. Carol Scheman had reported to the committee that there was likely to be a 7% reduction in the Commonwealth of Pennsylvania’s appropriation for the University and that a recent city ordinance, passed over the veto of Mayor Street, established the vicarious liability of universities for student behavior. Currently the legislation only applied to the fourth councilmanic district and St. Joseph’s University. Penn and President Rodin had spoken out against the measure.

F Facilities and Campus Planning—Mr. Lawrence Nussdorf

In the absence of Committee Chair William Mack, Mr. Nussdorf reported that the committee had adopted the Campus Design guidelines that were presented at the February 14th meeting. The committee also received an update on three large campus construction projects—Huntsman Hall, the Pottruck Fitness Center, and Levine Hall—which will close out by year’s end and will account for approximately 400 million of spending. Huntsman Hall will be completed in August, with the exception of the top floor and the tower, to be completed a month or so behind that. The Fitness Center was ahead of schedule, with turnover of the first three floors planned for before the beginning of classes in the fall and targeted turnover of the third and fourth floors in October. That project was expected to be completed with substantial cost savings. Levine Hall construction continued in accordance with the modified schedule developed in October 2001.

Finally, the committee was briefed on the Museum Infrastructure project. Schematic drawings were presented by Architect Peter Saylor. The proposed renovation would provide the museum with air conditioning. The reflecting pool and courtyard in front of the museum would be restored to their original design.

G. Investment Board—Mr. Christopher Browne

Mr. Browne reported that, in the first eleven months of the current fiscal year, the associated endowment fund gained 4.4% versus a loss of 3% for its composite benchmark. Cambridge Associates, a leading consulting firm to endowments in the United States, recently published preliminary peer performance for the twelve months ending March 31st. The median return for nontaxable institutions over one billion dollars was 2.9% compared to 8.2% for our AIF over this period. We should end the fiscal quarter solidly in the top quartile for the second year in a row.

Outperformance primarily came from the global public equity portfolio at Penn, with our manager significantly outperforming all other market indices. Over this period Global Equities outperformed the market by 13% over the eleven-month period.
Penn's domestic equity portfolio outperformed the US equity market by 11.5% during this period. Our international portfolio has been more successful, outperforming its benchmark by 18.6% through May. In terms of diversifying assets, the absolute return portfolio underperformed its benchmark, but still produced a positive return of 7.8%, again compared to the S and P's loss of 11.7%.

Mr. Browne reported that Penn's high-yield portfolio underperformed its benchmark and that changes had been made in the manager mix.

Finally, it was noted that excess return assets—private assets, venture capital, private equity, etc.—are only marked to market on a quarterly basis so there had been no change since the last Investment Board report."

H. Neighborhood Initiatives—Mr. Gilbert Casellas

Mr. Casellas reported that, on the occasion of its upcoming fifth anniversary as a committee of the board, the Neighborhood Initiatives Committee received a progress report on University-Community relations.

It was noted that in 1997 West Philadelphia was a neighborhood under stress, while today it can be characterized as a neighborhood on the rise. The declining trend of home ownership had been reversed. At the Penn-assisted school, 95% of the students are performing at or above grade level in reading and math.

Quality of life had improved considerably. A recent survey showed that residents believed the area to be cleaner and safer and to have a better atmosphere. There had been a 36% drop in overall crime from 1996 to 2001, with this trend continuing in 2002. University City's population had increased 2.1% since census 1990, as compared with a 4.5% drop in population for the city of Philadelphia, and remained diverse.

Mr. Casellas noted that the committee would like to help institutionalize the efforts of the past five years, agreeing to push for a stronger link to the academic mission by involving faculty more intimately with the West Philadelphia initiatives and with the University's urban initiative strategy.

I. Student Life—Mrs. Susan Catherwood

Mrs. Catherwood reported that Penn Counseling and Psychological Services (CAPS) Director Dr. Ilene Rosenstein presented findings on student mental support. She noted that Provost Bob Barchi and Vice President for University Life Val Cade had stressed the importance of developing a contemporary working model for CAPS and clearly articulating it to students, families, and to campus communities.
Additional discussion points included a review of long-term community provider networks, the University's involuntary medical leave policy, and legal aspects of parental notification.

The committee also received an update on changes in campus dining and campus housing facility services for FY03, including the change in the dining vendorship from Bon Appetit to Aramark.

Mrs. Catherwood noted that the committee would miss Ms. Berkowitz's perceptive comments.

J. Alumni Report—Mr. Leonard Shapiro

Mr. Shapiro reported that the feedback from the alumni around the country on the Agenda for Excellence presentations by Drs. Rodin and Barchi had been extraordinary. Alumni were proud of their association with and commitment to Penn and grateful that the President and Provost had made the trip. The Penn on the Road program was expected to continue to be one of the foundations of the alumni relations activities.

The council of the representatives of the Alumni Association approved two alumni to fill the at-large alumni trustee positions for five-year terms beginning January 1, 2003: Lee Spelman Doty, W '76, of New York and Deborah Marrow, CW '70, G '78, of Santa Monica, California.

2002 Alumni Award of Merit recipients were to be Judy Roth Berkowitz, CW '64; John Gamba, W '61; Andrea Mitchell, CW '67; Jack Molroni, C '57; and Sandra Williamson, CW '63.

Mr. Shapiro concluded by thanking Ginny Clark for having always been a wonderful advocate for Alumni Relations and indicated that she would be very much missed.

VI. Appointments to Overseer and Other Boards—Mr. James Riepe

The following resolutions were presented and approved (full resolution texts are appended).

Action 1. Resolution for Appointment of Robert Essner to the Penn Medicine Board

Action 2. Resolution for Approval of the Membership of the Trustee Board of the Clinical Care Associates of the University of Pennsylvania Health System

Action 3. Resolution on Appointment of Martin D. Gruss, Esq., to the Board of Overseers of the Center for Advanced Judaic Studies
Action 4. Resolution on Appointments of Laura Brown, Elsie Sterling Howard, and Warren Lieberfarb to the University Libraries Board of Overseers and Thomas Cusack as Vice Chair

Action 5. Resolution on Appointment of Stephen R. Weber to the Board of Overseers of the Institute of Contemporary Art and Jerry A. Magnin as Vice Chair

Action 6. Resolution on Appointment of Carolyn Bennett to the Board of Overseers of the School of Nursing and Cornelius Bond as Emeritus Overseer

Action 7. Resolution on Appointments of Steven F. Goldstone and William D. Novelli to the Board of Overseers of the School of Arts and Sciences

Action 8. Resolution on Appointments of Beverly Ensor and Edwin M. Hershey, Jr., to the Board of Overseers of the School of Veterinary Medicine

Action 9. Resolution on Appointment of Susan F. Danilow, Esq., to the Board of Overseers of the Graduate School of Education

Action 10. Resolution on Appointments of James Nelson Kise and Norbert W. Young, Jr., to the Board of Overseers of the Graduate School of Fine Arts

Action 11. Resolution on Appointment of Caroline Morrill to the Advisory Board of the Department of Recreation and Intercollegiate Athletics

Action 12. Resolution on Appointment of Alan Simon to the Board of Overseers of the School of Social Work

Action 13. Resolution on Appointment of Murray Kushner, Esq., to the Board of Overseers of the Law School


Action 15. Resolution on Appointment of Brian B. Tierney to the Board of Overseers of the University Museum of Archaeology and Anthropology

There being no further business before the board, the Chairman adjourned the meeting at 12:15 p.m.

Submitted by,

Leslie Laird Kruhly