EXECUTIVE BOARD
OPEN SESSION
July 21, 1977

THE EXECUTIVE BOARD
OF THE
TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA
July 21, 1977

OPEN SESSION

An open session of the Executive Board of the Trustees of the University of Pennsylvania was held on Thursday, July 21, 1977 at 3:15 p.m. in the Club Room of the Faculty Club.

Present were: Mr. Donald T. Regan, Chairman, presiding, Mr. Samuel H. Ballam, Jr., Mr. Henry M. Chance, II, Mr. Charles D. Dickey, Jr., Mr. John W. Eckman, Bernard C. Sagal, Esq., Mr. Wesley A. Stanger, Jr., Robert L. Trescher, Esq., President Martin Meyerson, Mr. Stuart H. Carroll, Mr. Paul O. Gaddis, Mr. Jack H. Hamilton, Mr. Harold W. Helfrich, Jr., Mr. William Hickey, Mr. J. Jerrold Jacks, Dr. D. Bruce Johnstone, Dr. Thomas W. Langfitt, Mr. Edwin M. Ledwell, Jr., Mr. Harold E. Manley, Dr. Patricia A. McFate, Mr. Gerald L. Robinson, Mr. Fred A. Shabel, Miss Janis I. Somerville, Dr. Jon C. Strauss, Mr. E. Craig Sweeten, and Mr. Robert G. Lornado, Associate Secretary. Mr. John Ballard represented Counsel.

Upon presentation by President Meyerson, the following resolution was adopted:

RESOLVED, That Janis I. Somerville be appointed Secretary of the Corporation effective September 1, 1977.

The minutes of the meeting of May 12, 1977 were approved.

Upon presentation by President Meyerson, the following resolution was adopted:

WHEREAS, the University of Pennsylvania has an opportunity to establish an Annenberg Center for Visual Communication, which would draw upon many of the disciplines and professions of the University and other institutions for the purpose of recording and disseminating the achievements and great ideas of civilization; and

WHEREAS, the project would be underwritten by the Annenberg School of Communications, a Pennsylvania nonprofit membership corporation operating a school unit at the University of Pennsylvania under a joint agreement with the University, which underwriting would amount to a sum up to $3,000,000 per year for a period of ten years, beginning January 1, 1978; therefore be it

Janis I. Somerville named Secretary

Proposed Annenberg Visual Communications Center

SECRETARY
RESOLVED, The Trustees of the University of Pennsylvania agreed in principle to establish an Annenberg Center for Visual Communication, either as a separate unit within the University or as a second division within the Annenberg School of Communications unit at the University (the first being concerned with the social analysis of communications) provided that (1) Provost Eliot Stellar's Task Force formulates a feasible academic and administrative plan in which the Educational Planning Committee, established by the University Council, the Faculty Senate and the administration to serve as a University-wide academic planning body, concurs; and (2) the Internal Revenue Service, given the scale of this new undertaking, rules favorably on its appropriateness as part of the function of the University of Pennsylvania and of the Annenberg School of Communications, which presently operate jointly the school of Communications at the University.

Mr. Trescher, chairman of the ad hoc Committee on Administrative Structure, noted that the committee was appointed on March 10 to advise the President and the Chairman on alternative organizational structures for the executive functions of the University. He commented that the committee, composed of Mr. Dunlop, Mr. Eckman, and Mrs. Wexler had held a number of meetings and, following discussion with members of the Executive board, was now submitting its final report. He asked that the committee be discharged and that certain short term arrangements be effected by changes in administrative titles.

Upon motion, the following resolutions were adopted:

RESOLVED, That the ad hoc Committee of the Trustees on Administrative Structure, having submitted its final report, be discharged with expressions of thanks to the members and support for the observations and recommendations of the report.

RESOLVED, That Thomas W. Langfitt, Vice President for Health Affairs, be designated Vice President for Health Affairs and Deputy Provost; that D. Bruce Johnston, Vice President and Director, Office of the President, be designated Vice President for Administration; and that Paul O. Gaddis, Senior Vice President for Management, be designated Senior Vice President for Management and Finance.

President Meyerson reported that Mr. C. A. Brest has been appointed acting director of admissions and that a new search committee has been appointed to submit nominations for a permanent head of admissions.

Dr. Langfitt, in the absence of Provost Stellar, presented recommendations for academic appointments and promotions, for the period from May 27 to June 30, 1977. The recommendations were approved.

Mr. Chance presented a series of resolutions which were adopted by the Finance and Operations Committee on July 11. Upon motion, the following resolutions were adopted:

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C.A. Brest named Acting Director of Admissions
WHEREAS, the Finance and Operations Committee of the Trustees has expressed its interest in using indirect cost rollforward funds to reduce the University's accumulated deficit; and

WHEREAS, such rollforward funds have been used in the past to reduce the University's deficit; and

WHEREAS, there is currently available $1,165,884.87 resulting from recoveries during fiscal year 1975-76;

THEREFORE, BE IT RESOLVED, That the Comptroller be authorized and directed to apply the $1,165,884.87 against the University accumulated deficit in the fiscal year 1976-77; and

BE IT FURTHER RESOLVED, That the Comptroller be directed to advise the Finance and Operations Committee of the Trustees at its September meeting in each fiscal year of the amount of the indirect cost rollforward funds which are available from the prior year's operations.

WHEREAS, the University of Pennsylvania expects to receive an amount of slightly in excess of $2,400,000 during the fiscal year 1976-77 from a source known as the Federal indirect cost rollforward recovery; and

WHEREAS, the University is forecast to incur an excess of unrestricted costs in the approximate amount of $348,550 in its School of Medicine as a direct result of the unilateral cancellation of an agreement with the City of Philadelphia;

THEREFORE, BE IT RESOLVED, That the Comptroller be authorized and directed to apply $348,550 of the fiscal year 1976-77 Federal indirect cost rollforward recovery as income in the fiscal year 1976-77.

WHEREAS, the operation of the Intercenter Bank would be significantly improved if the bank were capitalized; and

WHEREAS, the net proceeds from the Federal Rollforward now appears to be some $2.1 million for FY 1977 and an additional $1.75 million is projected for FY 1978; and

WHEREAS, the FY 1978 Federal Rollforward proceeds have not been committed for any other purpose, and partial capitalization of the Intercenter Bank is of high priority: Therefore be it

RESOLVED, That $1,050,000 of the FY 1978 Federal Rollforward proceeds be transferred to capitalize the Intercenter Bank for FY 1978; and be it further

RESOLVED, That all obligations to or from the Intercenter Bank be supported by notes signed by the Principals, filed with the Treasurer and formally recorded on the books of the University by the Comptroller; and be it further
RESOLVED, That specific schedules of loans and repayments from the Intercenter Bank be submitted to the Treasurer by the Executive Director of the Budget at the beginning of each fiscal year.

WHEREAS, the University has designed a New Small Animal Hospital to be constructed as part of the University's School of Veterinary Medicine at 39th and Pine Streets, for a project budget of approximately $13,700,000; and

WHEREAS, the Commonwealth of Pennsylvania, acting by and through the Department of General Services, has allocated the sum of approximately $7,397,815 to be applied toward the cost of constructing the New Small Animal Hospital; and

WHEREAS, the University has applied for a grant from the United States Department of Health, Education and Welfare in the amount of $5,000,000, the proceeds of which shall be applied toward the cost of constructing the New Small Animal Hospital; and

WHEREAS, the University has raised to date private contributions totaling approximately $2,000,000, the proceeds of which shall be applied toward the cost of constructing the New Small Animal Hospital; therefore,

RESOLVED, That the University ratify the actions of President Martin Meyerson in executing on November 17, 1976, on behalf of the University, a Reimbursement Agreement with the Department of General Services of the Commonwealth of Pennsylvania (the "DGS") pursuant to which the parties agreed to authorize the Kling Partnership to plan and design Project No. D.G.S. 1102-19 Teaching Hospital Classroom and Diagnostic Building, School of Veterinary Medicine, University of Pennsylvania (the "New Small Animal Hospital"), and pursuant to which the parties agreed upon the allocation of portions of the construction budget for relocation of utility lines, demolition work, and the closing and rerouting of certain streets, and pursuant to which the University agreed to reimburse the DGS for its share of the construction cost, relocation and demolition work and a portion of the Kling Partnership's fee for professional services, and pursuant to which the University agreed that all state funds utilized in the project would be amortized by the University's payment of rentals to the Commonwealth of Pennsylvania, acting by and through the Department of Education; and be it

FURTHER RESOLVED, That the University ratify the actions of Vice President Harold Manley in executing on July 12, 1976, on behalf of the University, an Agreement between the University and the Kling Partnership pursuant to which the University agreed to pay to the Kling Partnership for its professional services in designing the New Small Animal Hospital a fee of $212,814.48, or 1.955% of the total construction cost of the project, in addition to the professional fee to be paid by the DGS, in order that the Kling Partnership would receive a combined fee for professional services totaling $716,905.34, or 6.6% of the total construction cost of the project, and pursuant to which a schedule of
FURTHER RESOLVED, That the University ratify the actions of Vice President Harold Manley in executing on November 19, 1976, on behalf of the University an Agreement of Amendment pursuant to which the University agreed to pay the Kling Partnership for its professional services an increased fee of 1.98% of the total construction cost of the project to compensate for a reduction in the fee to be paid by the DGS for professional services and pursuant to which the University agreed to pay the Kling Partnership certain other fees for additional services; and be it

FURTHER RESOLVED, That the proper officers of the University be, and they hereby are, authorized to enter into a contract for the destruction and demolition of the building known as the School of Allied Medical Professions, 39th and Pine Streets, which contract shall contain such terms and conditions as the proper officers shall deem necessary or desirable; and be it

FURTHER RESOLVED, That, following such demolition, the University convey the site formerly occupied by the School of Allied Medical Professions to the DGS to be included in the project site for the New Small Animal Hospital, and that the President or any Vice President President and the Secretary or any Assistant Secretary of the University be, and they hereby are, authorized to do all such acts and things and to execute and deliver all such documents as they may deem necessary to carry out the intent of this resolution, including, but not limited to, a Deed to the DGS; and be it

FURTHER RESOLVED, That the proper officers of the University be, and they hereby are, authorized to enter into a Contract to Lease with the Department of Education acting for and on behalf of the Commonwealth of Pennsylvania pursuant to which the University shall agree to lease from the Department of Education the New Small Animal Hospital for a term of thirty (30) years or until such time as the University shall have amortized the project cost, which term shall commence upon the completion of the project, at an annual net rental necessary to service and amortize at maturity the debt incurred to finance the construction of the building; and be it

FURTHER RESOLVED, That the proper officers of the University be, and they hereby are, authorized to do all such acts and things and to execute and deliver
documents as they may deem necessary to carry out the intent of the foregoing resolutions and to construct the University's New Small Animal Hospital, including, but not limited to, reviewing plans and specifications for the project, reviewing and preparing bid instructions and proposals, receiving and accepting bids, and reviewing, preparing and entering into construction contracts.

Mr. Eckman, reporting for the Development Operating Committee, stated that as of June 30 the Program for the Eighties had reached $117 million or 46% of the goal. He noted that the campus campaign now stands at $3.25 million, that Alumni Annual Giving set a new record of $3.7 million, and that next year Alumni Annual Giving will be enhanced by the establishment of a $1 million challenge fund. He expressed his appreciation of the leadership of Frank J. Hoenemeyer and David C. Auten in the annual giving campaigns for the last two years and noted that next year's campaign will be headed by William A. Marquard and Charles F. Fretz.

Mr. Stanger, chairman of the Investment Board, reported that as of June 30, 1977 the total market value of the Associated Investments Fund stood at $107.3 million or $188.81 per share. The portfolio remains about equally divided between fixed income securities and equities. Gross investment income for the next 12 months is estimated to be approximately $6.8 million. On a per share basis the AIF has increased 3.4% since June 30, 1976.

Upon presentation by Mr. Regan, the following resolution was adopted:

RESOLVED, That the following alumni be appointed members of the Board of Overseers of The Wharton School and Associate Trustees of the University while serving in that capacity:

Bruce E. Crawford, W-52
President
Batten Barton Durstine & Osbourne, International, Inc.
New York, New York

John V. James, Ev W-41, W-48
Chairman, President, and Chief Executive Officer
Dresser Industries, Inc.
Dallas, Texas

Mr. Regan commented that henceforth all elections to the Boards of Overseers will come through the Nominating Committee.

It was agreed that, since a quorum would not appear to be likely on the date originally proposed for the November meeting of the Executive Board, the session will be held on November 16 from 11 to 3 p.m.
Upon presentation by Mr. Ballard, the following resolutions were adopted:

WHEREAS, the Trustees of the University of Pennsylvania (the "University") intends to file with the Department of State of the Commonwealth of Pennsylvania Articles of Division and a Plan of Division for the purpose of vesting ownership and control of Graduate Hospital in a new nonprofit corporation (the "New Corporation") to be created by said Articles of Division; and

WHEREAS, the University and the Initial Board of the New Corporation have agreed that the University and the New Corporation will execute, immediately after the Division, certain agreements including among others an agreement by the University to guarantee loans for working capital for the New Corporation (the "Working Capital Loan Guaranty Agreement") and an agreement whereby the University is to guarantee to the Hospitals Authority of Philadelphia certain rental payments and obligations of the New Corporation (the "Limited Guaranty Agreement"); and

WHEREAS, the University has determined that it is desirable, in order to effectuate the Division of the Graduate Hospital, (i) to provide for additional financing for the New Corporation, in an amount up to one million dollars ($1,000,000), and (ii) to agree to a modification of the terms of the Working Capital Loan Guaranty Agreement.

NOW, THEREFORE, BE IT

RESOLVED, That the University is authorized to enter into an agreement with the New Corporation, to be executed immediately after the Division, to make or guarantee a loan to the New Corporation, in any amount up to a maximum amount to be specified in the agreement (the "Maximum Amount") upon such terms and conditions as the Executive Director, University Hospitals shall approve; provided, that the Maximum Amount shall not exceed one million dollars ($1,000,000); provided further that the maturity of said loan shall be not later than 1995; and provided further that a condition precedent to the agreement hereby authorized shall be a limitation of the liability and obligation of the University as guarantor under the Limited Guaranty Agreement to an amount not to exceed the amount by which three million dollars ($3,000,000) exceeds the Maximum Amount; and be it

FURTHER RESOLVED, That the Executive Director, University Hospitals be and he hereby is authorized to agree on behalf of the University to a modification of the terms of the Working Capital Loan Guaranty Agreement as previously authorized so as to permit loans to be made under such Agreement and covered by the University's guarantee provided for therein for capital expenditures (including, without limitation, the purchase of real estate, machinery and equipment) to the extent determined by the Executive Director; and be it

FURTHER RESOLVED, That the President and other appropriate officers of the University are hereby authorized to execute and deliver the agreements

Secretary
RESOLVED, That the Executive Director, University Hospitals of the University of Pennsylvania Corporation is hereby authorized and directed to make application to The Hospitals Authority of Philadelphia for Hospital Revenue Bonds, to refinance the construction of the Silverstein Pavilion project described in the previously filed application and to finance certain additional projects;

BE IT FURTHER

RESOLVED, That the Vice President and Treasurer be authorized to pay such fees as may be required by the schedule and rate of charges established by The Hospitals Authority of Philadelphia for its services;

AND BE IT FURTHER

RESOLVED, That the President or any Vice President and Secretary or any Assistant Secretary of The Trustees of the University of Pennsylvania be authorized and directed to execute the Application agreement required by The Hospitals Authority of Philadelphia as part of the application.

Adjourned.

Robert G. Lorndale
Associate Secretary