Minutes of the Stated Meeting
of the
Executive Committee of the Trustees of the University of Pennsylvania
15 September 1989

A meeting of the Executive Committee was held on Friday, 15 September 1989 in the Tea Room of the Faculty Club. Trustees attending included: Richard P. Brown, Jr., Susan W. Catherwood, Richard Censits, Sheldon Hackney, Carl Kaysen, Paul F. Miller, Jr., John Neff, Alvin V. Shoemaker (chairman), Saul P. Steinberg, Myles H. Tanenbaum, and D. Robert Yarnall, Jr. Others present included: Michael Aiken, Robert Davies, William Epstein, Karen Gaines, John Gould, William Kelley, George Koval, Kim Morrison, Rick Nahm, Antonia Oberthaler, Steven Poskanzer, Marna Whittington, Henry Williams, and Dilys Winegrad.

I. Call to Order
   The chairman called the meeting to order and the minutes of 12 May 1989 were approved as written by the secretary.

II. Report of the Chairman
   The chairman had no report.

III. Report of the President
   A. Dr. Hackney observed that the 1989-90 academic year had gotten off to a very good start. He noted that 2,280 first-year students arrived just before Labor Day and "weathered their orientation and first classes with plenty of left-over energy. We were especially pleased that they reported that the day-long program on diversity was a valuable experience," the president said.

   He went on to report express satisfaction at successful conclusion of the search for the executive vice president for the Medical Center and Dean of the School of Medicine and to recommend the election of William Kelley to the combined position. He thanked Arthur Asbury for his "more than able services" as acting executive vice president and dean.

   Turning to other matters, Dr. Hackney observed that he had learned only this week that the United States Department of Justice had widened the number of schools from which it is seeking information on tuition, financial aid, and faculty salaries. "Penn and a number of other universities, including several of the Ivies, received a letter on Monday asking for a broad range of information," the president said. "We will cooperate with this request," he assured the Trustees, and he further noted that the administration was "very confident" that its practices in the areas under investigation have been "fully in compliance with the law."

   Dr. Hackney then commented that he continued to watch with great concern the debate in Washington over funding for the arts, which was sparked, in part, by an exhibit of photographs by the late Robert
Mapplethorpe organized by Penn's Institute of Contemporary Art. He went on to mention plans for the public announcement of the capital campaign in October and next year's 250th Anniversary celebration, noting in particular that President Reagan had agreed to speak at a birthday observance event.

Turning to athletics, the president observed that he was expecting an exciting football season under the new varsity coach, Gary Steele, and a "very fine" group of players. He said he also had high hopes for the Quaker soccer team and for the Red and Blue field hockey team. Both squads won their opening games against Villanova, Dr. Hackney told the Trustees.

B. A Resolution on the Election of William N. Kelley as Dean of the School of Medicine and Executive Vice President for the Medical Center was approved as follows:

INTENTION:

The Dean of the School of Medicine and the Executive Vice President for the Medical Center (Dean/EVP) has a combined management and academic leadership role. As the chief executive officer of the Medical Center, the Dean/EVP has overall responsibility for the research, education, and health services activities of the Medical Center, consisting of the School of Medicine (including the Clinical Practices of the University of Pennsylvania) and the Hospital of the University of Pennsylvania. The Dean/EVP reports to the President for administrative matters and to the Provost for academic matters. The chief executive officers of the Hospital and of the Clinical Practices report to the Dean/EVP and are appointed by the Dean/EVP in consultation with the Trustee Board of the Medical Center.

RESOLVED, that William N. Kelley be elected dean of the School of Medicine for a seven-year term, effective 1 October 1989; and

FURTHER RESOLVED, that Dr. Kelley be elected Executive Vice President for the Medical Center.

C. Academic Report

Provost Aiken reported that he and President Hackney had met earlier in the week with the newly-established search committee for a dean of the Wharton School. He further noted that the search committee for a new dean of the School of Engineering has begun its work and that the search committee for a vice provost for information systems and computing has begun to interview candidates and hopes to complete its work before the end of the semester. He added that he and Dr. Hackney had met with the leading candidates for the post of ICA director and expected to make a decision in October.

Dr. Aiken went on to mention that seven of the faculty-administration groups developing aspects of a five-year plan for the University had completed their reports and three groups are nearly finished with their work. The reports will be discussed in detail over the next few weeks in order to develop a consensus about goals and priorities, according to the provost, and an initial draft of the five-year plan will be based on these deliberations.

Turning to appointments and promotions to tenure, Dr. Aiken called particular attention to the following:
Kathleen Hall Jamieson, the newly-appointed dean of the Annenberg School of Communications and an internationally recognized scholar in speech communication with a Ph.D. from the University of Wisconsin, Madison, who had been the G.B. Dealey Professor of Communications at the University of Texas at Austin and is proposed as a professor of communications;

- Colin S. Diver, the newly-appointed dean of the Law School and a scholar in the field of administrative law with an LL.B. from Harvard University, who had been dean of the Boston University School of Law and is proposed as the Bernard G. Segal Professor of Law;

- Paul J. De Weer, an internationally known scholar in the field of membrane transport with an M.D. from the University of Leuven, Belgium and a Ph.D. in biophysics from the University of Maryland, who had been a professor of cell biology and physiology at Washington University School of Medicine and is proposed as the Isaac Ott Professor of Physiology;

- Nancy E. Cooke, an endocrinologist with a research interest in molecular genetics with an M.D. from Case Western Reserve University School of Medicine, who is proposed as an associate professor of Medicine;

- Robert W. Holthausen, an empirical researcher in accounting with both an M.B.A. and a Ph.D. from the University of Rochester, who had been an associate professor of accounting and finance at the University of Chicago Graduate School of Business and is proposed as professor of accounting.

D. Financial Report

Senior Vice President Whittington reported that the results of unrestricted University operations for the fiscal year ending 30 June 1989 generated an excess of revenues over expenses of $275,000 after approved, budgeted, discretionary allocations to the Undergraduate Development Fund, the Research Fund, and the campaign of $758,000, $800,000, and $1,517,000 respectively. "On the unrestricted side," she said, "the positive factors were special program and fee revenues, indirect cost recoveries, temporary investment fund income, and savings in salary expense and non-guaranteed student aid. On the restricted side," she continued, "grant and contract expenditures increased by 9.6 percent and endowment and gift expenditures decreased by 3 percent and 0.5 percent, respectively. The amount available at year end for grant and contract expenditures was 8.4 percent greater on 30 June 1989 than on 30 June 1988," she said. The senior vice president went on to point out that the amount available from the endowment and quasi-endowment funds was 30.7 percent greater at the end of FY'89 than at the end of FY'88 and that gift income was 8.8 percent greater.

Dr. Whittington also reported that for the last fiscal year the Hospital had a deficit of revenues over expenditures of $8 million in excess of the break-even budget. "The loss from operations was $9,042,000 worse than budget and the non-operating income was $1,010,000 better than
"budget," she said. The senior vice president further noted that the Clinical Practices generated an excess of revenues over expenses of $9,763,000 for FY'89 and that its Education and Development Fund balance increased, net, by $6,784,000. She went on to say that at this point HUP financial statements for FY'90 are available only for July during which the Hospital had an excess of revenues over expenses of $893,000, which is $373,000 better than budget.

IV. Trustee Committee Reports

A. Budget and Finance

In the absence of Mr. Fox, Mrs. Catherwood reported that the committee had reviewed the University financial reports for FY'89 with Dr. Whittington and Comptroller Alfred F. Beers, as well as reviewing with the senior vice president Penn's insurance premium costs for FY'89 and FY'90. She further noted that the committee had heard a report on fringe benefits. Mrs. Catherwood went on to say that the committee had discussed and approved four resolutions, which it recommended to the Trustees.

B. Action. A Resolution on the Renovation of the School of Veterinary Medicine Old Quadrangle Laboratory was approved as follows:

Intention:

The School of Veterinary Medicine has proposed alteration of two spaces in its Old Quadrangle for use in its electrophysiology research program. The project calls for the creation of two research laboratories with benches, photographic darkrooms, offices for faculty and research assistants, a fume hood, new ceiling lighting, and floor finishes. The design of the repair and reconstruction work has been completed and bids for the work have been received by the School. The project cost is estimated at $293,000. The project will be funded by a Research Development Fund grant, School of Veterinary Medicine's funds, and a University loan to the School.

RESOLVED, that the School of Veterinary Medicine's Old Quadrangle Laboratory Renovation, estimated to cost $293,000, be and the same hereby is approved in accordance with the proposals presented to the meeting and that the Senior Vice President or other appropriate officers of the University be and they hereby are authorized to proceed with such contracts and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost presented to the Budget and Finance Committee -- as may, in their judgment, be necessary or desirable to accomplish such construction.

C. Action. A Resolution on the Sale of Residence at 819 Gatemore Road, Bryn Mawr, Pennsylvania was approved as follows:

Intention:

The University's Medical Center received a residence located at 819 Gatemore Road as a gift in December, 1982. The gift was subject to a life tenancy which terminated in April 1989. The administration now proposes to sell this property for a total price of $365,000.

RESOLVED, that the Trustees of the University of Pennsylvania hereby approve the sale and conveyance of the said residence, direct and authorize the Senior Vice President or other appropriate officers of the University to proceed with the execution and delivery of the deed and all necessary affidavits and other documents required in connection with such sale and conveyance, and further approve, confirm, and ratify all other actions taken by such officers or their designees in connection with or which are necessary or convenient to, the accomplishment of such sale and
conveyance, including expending such funds as are necessary to enhance the marketability of the residence prior to its sale.

D. Action. A Resolution on the Sale of 427 North Market Street, Opelousas, Louisiana was approved as follows:

Intention:
The University received as a gift for the Department of Anesthesiology a one and three-quarter acre property, operating as a bed and breakfast inn, located at 427 North Market Street in Opelousas, Louisiana, in July 1987. At the time of the gift, the donor suggested that the bed and breakfast operation could be continued profitably and that a future sale of the property would provide more funds. With the concurrence of the Department of Anesthesiology, the bed and breakfast operation was maintained. Market conditions, however, proved adverse, and after an accumulated deficit of $28,810, the bed and breakfast operation was closed in June 1988. The property was listed for an asking price of $150,000 based on an appraisal dated September 9, 1988.

A previous full price offer did not materialize, and the six-month listing agreement has expired. The University is now prepared to sell the property at auction. Proceeds from the sale of this property, less the accumulated deficit, will go to the Department of Anesthesiology.

RESOLVED, that the Trustees of the University of Pennsylvania hereby approve the sale and conveyance of the said property and hereby direct and authorize the Treasurer or other appropriate officers of the University to proceed with the execution and delivery of the deed and all necessary affidavits and other documents required in connection with such sale and conveyance, and hereby further approve, confirm, and ratify all other actions taken by such officers or their designees in connection with or which are necessary or convenient to the accomplishment of such sale and conveyance.

E. Action. A Resolution Authorizing Participation in the Development of a Parking Garage on Parcels 6 and 8 of the Former PGH Site was approved as follows:

INTENTION:

In March 1985 and June 1987, the Trustees of the University of Pennsylvania (the "University") approved participation in two development corporations, PGH Development Corporation ("PGHDC") and Children's Health Development Corporation ("CHDC") formed for the purpose of acquiring and developing land formerly owned by the City of Philadelphia on the former Philadelphia General Hospital (PGH) site. The development corporations are currently comprised of three institutions, the University, The Children's Hospital of Philadelphia (CHOP), and the Children's Seashore House (CSH).

Acquisition of the underground garage site and construction of the garage thereon have been completed. Financing for the undertaking was funded by a Fidelity Bank, National Association taxable loan. To provide additional security for the loan, the University unconditionally guaranteed the payment of the principal and interest thereon. The members of PGHDC and CHDC desire to refinance the Fidelity loan with taxable or tax-exempt financing to be provided by the Philadelphia Authority for Industrial Development (the "Authority"). The Authority has authorized the refinancing of the Fidelity loan (through the issuance of $7,900,000 of bonds) and PGHDC and CHDC will lease the underground parking garage and related land to the Authority and will sublease the facility from the Authority pursuant to a sublease and security agreement (the "Sublease"). Under the sublease, PGHDC and CHDC will be required to make rental payments sufficient to pay the debt service on Authority indebtedness incurred for such purpose. PGHDC's and CHDC's obligations under the sublease will be secured by the revenues derived from and in connection with the underground parking facility and also by a joint and several guaranty of CHOP, CSH, and the University.
In March 1989, the University approved participation in the development by PGHDC of a 1,360 car garage on Parcels 6 and 8 of the PGH site. The March 1989 resolution authorized, among other things, an equity contribution by the University towards the development of Parcels 6 and 8 not to exceed $1,000,000 and further authorized the University's guarantee of other manner of ensuring PGHDC's third party loans for construction and permanent financing for the redevelopment of Parcels A and B, provided, however, that the total of such third party construction and permanent financing obtained by PGHDC for the redevelopment of Parcels 6 and 8 not exceed $9,000,000. (Amount represents University portion of the project.) The Authority has agreed to finance a project (the "Project") on behalf of PGHDC consisting of, among other things, the acquisition and construction by PGHDC of the above-ground garage ("the Project Facility") on Parcels 6 and 8 through issuance of up to $24,000,000 aggregate principal amount of Authority Project Revenue Bonds (PGH Development Corporation), Series of 1989 (the "1989 Bonds"). In connection with the financing of the Project, PGHDC will enter into an Installment Purchase Agreement with the Authority (the "Installment Purchase Agreement"), under which the Authority will sell the Project Facility to PGHDC, and PGHDC will be obligated to make purchase price payments sufficient to pay, when due, the principal of, premium, if any, and interest on the 1989 Bonds. PGHDC's obligations under the Installment Purchase Agreement will be limited obligations, limited solely to revenues of PGHDC derived from payments under, and secured by a collateral assignment of PGHDC's interest in, the Permit Issuance Agreement ("Permit Agreement") among PGHDC and the University, CHOP, and CSH (collectively, the "Users").

Under the Permit Agreement, PGHDC will issue permits to each User entitled to the use of the particular User to park in the Project Facility. The Permit Agreement provides that the University, as a User under the Permit Agreement, shall be obligated to pay its proportionate share of the costs of operating and maintaining the Project Facility, including the payment of its proportionate share of the debt service on the 1989 Bonds. The payment obligation of each User under the Permit Agreement will be the separate, unsecured general obligation of such User. The University's obligation under the Permit Agreement will not in any way be contingent upon the construction and/or operation of the Project Facility. The University may also be required to make an equity contribution to the Project, in addition to the amount previously approved, related to University uses of the Project Facility that are not eligible for exempt financing.

In connection with the refinancing of the underground garage loan and the financing of the Project, it is expected that Bond Purchase Agreements (the "Purchase Agreements") among the Authority and underwriters relating to the purchase of the bonds at the interest rates, dates of maturity, and with the provisions for redemption set forth therein, will be executed. It is expected that the Purchase Agreements will require the University to execute and deliver letters of representation ("Letters") in which the University undertakes certain representations and warranties and agrees to indemnify the Authority and the underwriters of the bonds under certain circumstances.

RESOLVED, that the refinancing of the underground garage loan for PGHDC and CHDC by the Authority through the issuance of bonds is hereby approved, as is the undertaking by PGHDC of the Project and the financing thereof by the Authority;

FURTHER RESOLVED, that the Senior Vice President or other appropriate officers of the University are hereby authorized to make an equity contribution to the Project in an amount related to that portion of the University's use thereof which would not qualify for tax-exempt financing;

FURTHER RESOLVED, that the Senior Vice President or other appropriate officers of the University are hereby authorized and directed to execute, acknowledge, and deliver, and the Secretary or Associate Secretary of the University is hereby authorized and directed to attest and affix the corporate seal of the University to, the Permit Agreement in such form as the officers executing the same, in consultation with counsel to the University, may approve, such approval to be consciously evidenced by the execution thereof.
FURTHER RESOLVED, that the Senior Vice President or other appropriate officers of the University are authorized to execute and deliver such documents as are required to effect the University's guarantee (with CHOP and CSH) of PGHDC's and CHDC's obligations with respect to debt service on bonds issued by the Authority to refinance the underground garage loan provided however that the aggregate principal amount of such bonds not exceed $7,900,000.

FURTHER RESOLVED, that the Senior Vice President or other appropriate officers of the University are hereby authorized to disseminate information concerning the University and its activities thereof and to approve the form of any disclosure documents used in connection thereto with respect to the sale and issuance by the Authority of the 1989 Bonds and the bonds to be issued in connection with the refinancing of the loan originally incurred for the underground garage;

FURTHER RESOLVED, that the Senior Vice President or other appropriate officers of the University are hereby authorized and directed to execute, acknowledge, and deliver the Letters in such form as the officer executing the same, in consultation with counsel to the University, may approve, such approval to be conclusively evidenced by the execution thereof;

FURTHER RESOLVED, that the Senior Vice President or other appropriate officer of the University, and each of them, are hereby authorized and directed to take such further action and to execute and deliver such other instruments and documents, including without limitation financing statements under the Pennsylvania Uniform Commercial Code, as may be advisable to carry into effect the intent of the foregoing resolutions and transactions thereby contemplated.

FURTHER RESOLVED, that this resolution shall be deemed to amend the resolutions of March 1985, June 1987 and March 1989 dealing with the PGHDC and CHDC projects and any other prior resolutions to the extent inconsistent with this resolution.

FURTHER RESOLVED, that all other resolutions or parts thereof insofar as they are inconsistent herewith are hereby repealed or rescinded.

B. Medical Center
Referring to Dr. Whittington’s report on the Hospital’s financial situation, Mr. Brown observed that HUP was not the only U.S. hospital in financial difficulty, and he expressed confidence in Dr. Kelley’s leadership. The chairman of the Medical Center Board went on to report that at the time when the selection of the new dean/EVP was announced, the executive director of the hospital, C. Edward Schwartz, had submitted his resignation, effective 1 October. “He did so in order that Dr. Kelley could bring in his own team,” Mr. Brown said, and he went on to observe that Mr. Schwartz had taken on his job as executive director “under very difficult circumstances and done the best he could in a very complicated situation. He deserves our thanks,” the chairman of the Medical Center declared. He also expressed gratitude to Arthur Asbury, the acting dean/EVP. “Dr. Asbury performed above and beyond the call of duty,” Mr. Brown said.

C. Investment Report
Mr. Neff observed that he had been “a little bit wary” about the most recent stock market, which he described as “spirited, to say the least. Early on this year, we thought that we might have a more positive market with a 10 or 12 percent advance in the total return performance” he said, “but since 31 December the Standard and Poor 500 Stock Average is up 89.5 percent, which is a pretty happy situation by our standards.”
chairman of the Investment Board went on to note that the basic factors
driving the market increase were declining interest rates, the increase in
corporate earnings, and "both the real and imagined leveraged by-out
craze," which he called "a little bit crowded at the ultimate junk-bond and
bank-financing conduct."

Mr. Neff pointed out that his caution was reflected in the decrease,
since the end of June, in the Associated Investments Fund's (AIF)
investment in common stocks from 62 to 58 percent of the portfolio.
"Principal preservation is a concern," he said, and he noted that the
total market value of the AIF was $742 million as of 31 August. "It's not
the billion dollars that Mr. Shoemaker has charged us to reach someday,"
the Investment Board chairman observed, "but we'd like to get there and
sometimes progress comes through taking advantage of better buying
opportunities. It wouldn't surprise us to see a 10 to 15 percent
correction somewhere along the way," he continued. "Having been raised in
a world that has been full of sawtooths, I would note that we haven't had
a sawtooth in a while. So in effect, we've taken a bit out in order to
come back in at a more propitious time."

Mr. Neff went on to report that the AIF had trailed the S&P a bit this
year with its equities advancing 27.5 percent compared to the S&P's
29.5-percent increase. "Usually we're on the more positive side of that
ledger," he pointed out, "but you get into runaway markets like this and
we don't always keep up because we're of the four-yards-in-a-cloud-of-dust." He added that until the last few weeks, auto stocks had been on
the disappointing side, and he described them as "uncharacteristically
overlooked by the market."

V. Overseer and Other Boards

A. Action. A Resolution on Appointments to the Board of Overseers
of the School of Arts and Sciences was approved as follows:

RESOLVED, that James J. Kim, Andrea L. Mitchell, Martin J. Raynes, Howard
E. Steinberg, and Gerald M. Stern be appointed to the Board of Overseers
of the School of Arts and Sciences for three-year terms, effective 15
September 1989.

B. Action. A Resolution on an Appointment to the Board of
Overseers of the Graduate School of Fine Arts was approved as follows:

RESOLVED, that Richard M. Rosan be appointed to the Board of Overseers of
the Graduate School of Fine Arts for a three-year term, effective 15
September 1989.

C. Action. A Resolution on Appointments to the Board of
Overseers of the University Libraries was approved as follows:

RESOLVED, that John W. Eckman be appointed as chairman of the Board of
Overseers of the University Libraries and that Mr. Eckman and Rebecca P.
Sinkler be appointed to the Board for three-year terms, effective 15
September 1989.

D. Action. A Resolution on Appointments to the Board of
Overseers of the University Museum was approved as follows:

RESOLVED, that Robert S. Bass, Criswell C. Gonzalez, Jeffrey T. LaRichie
and Peter A. Paanakker be appointed to the Board of Overseers of the
University Museum for three year terms, effective 15 September 1989.

E. Action. A Resolution on Appointments to the Board of Overseers of the Wharton School was approved as follows:

RESOLVED, that M. Anthony Burns and John J.F. Sherrerd be appointed to the Board of Overseers of the Wharton School for three-year terms, effective 15 September 1989.

F. Action. A Resolution on an Appointment to the Board of Advisors of the Annenberg Center was approved as follows:

RESOLVED, that John M. Mason be appointed to the Board of Overseers of the Annenberg Center for a three-year term, effective 15 September 1989.

G. Action. A Resolution on an Appointment to the Board of Advisors to the Cancer Center was approved as follows:

RESOLVED, that Richard A. Bloch be appointed to the Board of Advisors of the Cancer Center for a three-year term, effective 15 September 1989.

H. Action. A Resolution on Appointments to the Board of Advisors of the Institute of Contemporary Art was approved as follows:

RESOLVED, that Milton Brutten and Ellen Schaap be appointed to the Board of Advisors of the Institute of Contemporary Art for three-year terms, effective 15 September 1989.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University