Trustees of the University of Pennsylvania

Minutes of the Stated Meeting
of the Executive Committee

April 27, 1995

A Stated Meeting of the Trustees' Executive Committee was held at 2:00 pm Thursday, April 27, 1995, in the Tea Room, Faculty Club. Trustees attending were Susan W. Catherwood, Gloria Twine Chisum, Stephen J. Heyman, Natalie I. Koether, John B. Neff, John N. Reardon, James S. Riepe, Myles H. Tanenbaum, and P. Roy Vagelos (chair). Others attending included Barbara Beck, Al Beers, Stanley A. Chodorow, John A. Fry, Karen C. Gaines, Constance C. Goodman, Shelley Z. Green, Samuel Hughes, William N. Kelley, Trudy J. Kuehner, Lisa Levinson, Edward Resovsky, Jay Saddington, Carol R. Scheman, Stephen P. Steinberg, Barbara R. Stevens and Duncan W. Van Dusen.

I. Call to Order

Dr. Vagelos called the meeting to order. The minutes of the March 17, 1994 meeting were approved as written by the secretary.

Action.........1. Dr. Vagelos introduced a Resolution on the Naming of Stellar-Chance Laboratories, noting the extraordinary contributions of Drs. Stellar and Chance to the University, and the resolution was approved as follows:

The University of Pennsylvania Medical Center wishes to honor two faculty members of incomparable achievement, vision, and commitment, Britton Chance and the late Eliot Stellar, by naming its Biomedical Research Building I the Stellar-Chance Laboratories. The building houses important multi-disciplinary research programs from departments including Cell and Developmental Biology, Dermatology, Genetics, Medicine, Molecular and Cellular Engineering, Ophthalmology and Radiology, as well as the Institute for Human Gene Therapy and Institute on Aging. Naming the building for both Drs. Chance and Stellar will symbolize their distinctive yet similar career paths both in the sciences and as leaders at the University.

Dr. Stellar was widely beloved at Penn as a friend, colleague, and teacher. He graduated from Harvard College and from Brown University with a Ph.D. in Psychology and in 1954 joined Penn’s Institute of Neurological Sciences, where he served as director for eight years and continued his life-long research commitments to the physiological psychology of ingestive behaviors and the neurochemistry of memory, a field in which he contributed a remarkable body of scientific discovery. The author of numerous books and scores of major scientific papers, he also enriched profoundly the lives he touched with his gentle, inclusive demeanor. He served as Provost of the University from 1973-78, when he returned to teaching in the Anatomy Department and to research at the Institute of Neurological Sciences, and at age 70 he accepted Dean William N. Kelley’s request that he chair the Department of Anatomy. In all he did, he set a new standard to emulate.

Dr. Chance is a monumental figure in biology and the medical sciences. He has spawned inventions and discoveries in disciplines from basic electronics and nautical navigations to biophysics and medicine over the long course of his career. He was an undergraduate and graduate student at Penn’s Towne School and a Ph.D. recipient in Physical Chemistry from the College. Following a period at Cambridge University in England, where he earned another Ph.D. and, then years later, an Sc.D. degree, he returned to Penn to continue his innovative research, to teach and to serve for what became 34 years as Director of the Eldridge Reeves Johnson Foundation at the School of Medicine. He is
currently the Eldridge Reeves Johnson University Professor Emeritus in Biochemistry and Biophysics and Physical Biochemistry and Radiologic Physics. An investigator of unequaled productivity and energy, Dr. Chance has advanced the frontiers of knowledge through his contributions to the development of radar. He is also a cherished mentor and master collaborator to his colleagues in the School of Medicine.

RESOLVED, that the Biomedical Research Building I be named the Stellar-Chance Laboratories.

Action........2. A Resolution on Requirements for Appointment to Medical Staff was approved as follows:

As the University of Pennsylvania Health System evolves and HUP enters into contracts with health maintenance organizations (HMO's) for the provision of care to their patients, it will be necessary to provide medical staff privileges to certain primary care physicians who have contracts with those HMO's with which the hospital has contracted.

In order to enable HUP to grant privileges to these primary care physicians to visit their patients and review their patients' charts while admitted to HUP, it will be necessary to amend the Medical Staff Bylaws to add an additional category of medical staff, "Courtesy Staff". Physicians granted privileges in this category will not have admitting privileges, will not make notations in patient charts and will not have a faculty appointment. In order to amend the Medical Staff Bylaws to include a "Courtesy Staff" category, it is necessary to amend Section 6.2 of the UPHS Bylaws to exempt such category of staff privileges from the requirement of a faculty appointment in the School of Medicine or the School of Dental Medicine.

The Executive Committee of the University of Pennsylvania Health System Trustee Board recommends that Section 6.2 of the University of Pennsylvania Health System Bylaws be amended to create an exception from the requirement that all medical staff must hold a faculty appointment for physicians appointed to the "Courtesy Staff" at HUP.

RESOLVED, that section 6.2 of the University of Pennsylvania Health System Bylaws be amended as follows:

6.2 Appointments. -- The Executive Committee of the Health System Board shall, upon recommendation of the medical staff, appoint such members of the medical staff as are needed for the proper functioning of the Medical Center, including HUP, and to further the education, research, and patient care objectives of the Health System. Physicians and dentists eligible for medical staff appointment shall be licensed to practice medicine or dentistry in the Commonwealth of Pennsylvania, shall hold an appointment in the faculty or academic support staff at the School of Medicine or the School of Dental Medicine, and shall comply with the qualifications for membership set forth in the medical staff bylaws, except that those physicians and dentists whose medical staff appointment is limited to membership in the "Courtesy Staff" at HUP shall not be required to hold an appointment in the faculty or academic support staff at the School of Medicine or the School of Dental Medicine. Appointments shall be reviewed and renewed, revised, or terminated at least every two years, upon recommendation of the medical staff organization. Any differences between the medical staff organization and the Executive Committee of the Health System Board regarding any aspect of an appointment shall be resolved within a reasonable time period. Only members of the medical staff whose appointments include admitting privileges may admit patients to HUP. Appointments to the medical staff shall not be denied to any person otherwise qualified on the basis of sex, age, race, religious creed, color, national origin, sexual orientation, or disability.
II. President's Report - Dr. Rodin

A. Comments

Awards. President Rodin reported on two awards Dr. Vagelos had just received, which, she noted, illustrate the remarkable attributes he brings to his role at Penn. On April 20 he was inducted into the Fortune Business Hall of Fame in a ceremony in Minneapolis, and four days later he received the National Academy of Science’s “Chemistry in Service to Society” Award. Dr. Vagelos was warmly applauded for these well deserved honors.

Perelman Quadrangle. President Rodin then reported that, as had been announced the prior week, trustee Ronald Perelman has pledged $20 million towards the realization of Perelman Quadrangle, a new campus center that will preserve some of the most important landmarks of Penn’s past, including College Hall, Logan Hall, Irvine Auditorium, and Houston Hall, while creating modern spaces and contemporary services for the 21st century. She expressed her own and the University’s gratitude to Mr. Perelman, the Perelman family and the Perelman Foundation for their recognition of the importance of this project to Penn’s future.

Middle States Accreditation Visit. The President reported that an MSA reaccreditation team was on campus earlier in the month for the decennial reaccreditation process. The team was chaired by Bill Richardson of Johns Hopkins and, at Penn’s request, focused their attention on undergraduate education at Penn. President Rodin was pleased to report that the team was excited and impressed by what they found. They stressed the importance of (1) intertwining academic and student life aspects of the undergraduate experience, (2) increasing faculty-student interaction, and (3) working to reduce bureaucratic barriers between schools and improve academic advising. The team also pointed to notable strengths of the University and the four undergraduate schools. Their comments will be of great value to the administration, she noted.

Legislative and Alumni Visits. President Rodin reported that she and other members of the administration had been busy in recent weeks with visits involving many of the University’s external constituencies. She and others had been in Harrisburg on behalf of the University’s Commonwealth appropriation, and have also been in Washington to help legislative colleagues understand and appreciate the importance of research and student support to the future of the nation. The administration is working with members of Congress both to identify those issues as important ones for the nation, and also to preserve the University’s freedom to make internal allocation decisions, especially with regard to research funding.

President Rodin has also been visiting with Campaign donors and alumni groups around the country, most recently in Boston, Florida, New York, and Washington, and next week in Texas. President Rodin stated that one of the best gifts the University has is the dedication and support of alumni and their appreciation for the new initiatives being undertaken on campus.

West Philadelphia Contracts. President Rodin noted that Penn has also been very active in West Philadelphia recently, in a wide variety of programs. One highlight of this involvement was the announcement the prior week of the awarding of up to $2.8 million in contracts for goods and services from West Philadelphia-based businesses. The announcement was very well received by community leaders, with whom the administration is working closely in this initiative that is good business for Penn and for its neighbors in West Philadelphia. She noted that Penn is eager to develop additional programs that will foster new businesses, create new local employment opportunities, and improve services in our neighborhood.

B. Academic Report - Provost Chodorow
1. Comments

Deputy Provost. Provost Chodorow reported that Michael Wachter, professor of Economics and Law, will assume the post of Deputy Provost on July 1, with his principal activity being academic planning for the University as a whole.

International Programs. The first annual Provost’s Conference on International Education and Research was held on April 22. The day-long program focused on (1) international and global education for undergraduates, including study abroad, and (2) research activities, including Penn’s interaction with international agencies and institutions in other countries.

Provost’s Committee on Undergraduate Education. The PCUE, a committee of 24 faculty, student and staff members which has been meeting some 3-4 times a week since January, is now working on its report, which should be submitted within the next two weeks. The Committee’s report will prepare the ground for beginning the process of experimentation and implementation that will lead to achievement of the goals for the 21st century Undergraduate Experience initiative.

Faculty Honors. The Provost reported that five senior members of the faculty have been accorded Guggenheim Fellowships for the coming year: Dorothy Cheney, Professor of Biology; Martha Farah, Professor of Psychology; Moshe Lewin, Professor of History; Ann Matter, Professor of Religious Studies; and Robert Seyfarth, Professor of Psychology. Highlighting the strength of Penn’s faculty at all levels, the Provost also noted that five junior members of the faculty were selected as Sloan Research Fellows: Andrew Atkeson, Assistant Professor of Economics; Janice Eberly, Assistant Professor of Finance; Alan T. Johnson, Jr., Assistant Professor of Physics; Bruce Kleiner, Assistant Professor of Mathematics; and Michael J. Therien, Assistant Professor of Chemistry.

Nancy Bonini, Assistant Professor of Biology, has been named a 1995 John Merck Scholar in the Biology of Developmental Disabilities in Children. This distinction brings with it a $240,000 award to be used for her research activities.

Two faculty members have been elected as Fellows of the American Academy of Arts and Sciences: Clyde Barker, Professor and Chair of Surgery; and Douglas Massey, Professor of Sociology. (University Trustee Walter Annenberg was also was elected to membership.)

Ira Harkavy, Director of the Center for Community Partnerships, has been accepted into the Invisible College, a component of the Campus Compact, which is focusing on integrating service into the academic curriculum. As a member he will be joining faculty from institutions of higher education across the country who are leaders in service learning.

Finally, President Judith Rodin has been elected to membership in the American Philosophical Society (H’94), the oldest learned society in the United States.

Action........ 1. The Provost introduced the Resolution on Appointments and Promotions printed at pp. 3-12 of the meeting book. In moving that the resolution be approved, Dr. Chisum noted that among the appointments included in the resolution was the appointment of Dr. Rebecca Bushnell to Professor of English in the Standing Faculty of the School of Arts and Sciences. Dr. Chisum commended Dr. Bushnell as a stellar example of the attributes the University seeks in its faculty: scholarship and teaching excellence and service to the University. The Resolution was duly seconded and approved.

C. Financial Report - Mr. Fry

Mr. Fry presented a financial report containing (1) projections of the financial status of the University’s unrestricted budget, and (2) key statistical data with regard to the performance of its restricted endowed and quasi-endowed funds, its gift funds and its grant and contract funds as of March 31, 1995. In
addition, the report covered the operating performance of HUP and CPUP for the eight months ended February 28, 1995. (Clinical Care Associates reports on a quarterly basis.)

**University - Unrestricted.** Mr. Fry reported that as of the end of nine months of the fiscal year, the University projects a General University surplus of $25,000 after the approved, budgeted, discretionary allocation to the Research Fund of $1.3 million and after the budgeted mandated Graduate Hospital deficit amortization of $97,000. Positive factors affecting performance include graduate tuition, summer and special tuition, indirect cost recovery on other restricted funds, and savings in salary expenses, direct centers’ current expense, graduate student aid and utility expense. Negative factors include downturns in indirect cost recoveries on grants, sales revenue, gift income, General University tuition, the unfunded University loan to the School of Veterinary Medicine and several other expense categories.

Collectively, the schools and centers are projected with a surplus of $1.125 million, with four schools (Nursing, the Graduate School of Education, the School of Social Work and the Graduate School of Fine Arts) projecting net surpluses; the Annenberg Center and Intercollegiate Athletics projecting deficits; and all other schools and centers projected to break even.

**University - Restricted.** Gift Fund and Grant and Contract Fund expenditures increased by 13.6% and 9.5%, respectively, while Endowment fund expenditures decreased by 5.4%. The current balance available for grant and contract expenditures is 6.7% higher than a year ago, and months of expendable awards 2.5% lower than a year ago.

**HUP.** For the eight months ended March 31, 1995, the Hospital had an excess of revenue over expenses which was $38.6 million better than budget while non-operating revenue was $3.85 million better than budget.

**CPUP.** The Clinical Practices’ performance for the same eight-month period generated an excess of revenue over expenses that was $3.85 million better than budget. (Education and Development Funds are reported quarterly.)

**D. Health System Report - Dr. Kelley**

Dr. Kelley began by noting his great pleasure with the naming of BRB I as the Stellar-Chance Laboratories, and expressed his hope that many of the trustees would be able to attend the June dedication celebration.

He reported that the announcement the prior week of the Health System’s intent to merge with Presbyterian Hospital likewise represents a very important event in the Health System’s history. He noted that the Health System believes this merger will be important to providing enhanced care for the community and will permit the consolidation of some services so that both the Health System and Presbyterian can provide care more efficiently.

Finally, Dr. Kelley noted that the maturation of Clinical Care Associates is continuing as projected. At this point 125 primary care physicians have either signed an agreement with CCA or agreed to further discussion of specific terms. Along with other prospects for joining CCA who have been identified, it is anticipated that CCA will reach close to the 300-physician size originally projected.

**III. Trustee Committee Reports**

**A. Budget and Finance - Mrs. Catherwood**

*Action.......1. A Resolution on the Faculty Early Retirement Income Allowance Program that Provost Chodorow had presented to the Budget and Finance Committee that morning was approved as follows:*

Federal legislation prohibited mandatory retirement of faculty members at age 70 after December 31, 1993. With the elimination of mandatory retirement, the University of
Pennsylvania, like other universities, has been considering various programs for facilitating the retirement of tenured faculty members at their traditional retirement age. The 1994 Task Force on Faculty Retirement's report on a proposed faculty early retirement income allowance program was published in the Almanac in February, 1995, and has been approved by the President, in consultation with the Provost. The President hereby requests that the Trustees approve the program.

RESOLVED, that the faculty early retirement income allowance program proposed by the 1994 Task Force on Faculty Retirement is hereby approved and that the Vice President for Human Resources and other appropriate University officers are hereby authorized to adopt administrative mechanisms for implementing the program and to take such other action as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

Action........2. A Resolution on Renovations to the Second and Third Floors of the Johnson Pavilion for the Department of Microbiology was approved as follows:

The School of Medicine proposes to renovate approximately 26,252 net square feet of space on second and third floors of the Johnson Pavilion in order to provide modern and adequate research facilities for the Department of Microbiology. Architectural and engineering fees for this project were approved by the Trustees on May 13, 1994. The estimated total project cost based on bids is $13,350,764 and will be funded by the School of Medicine.

RESOLVED, that renovations to the second and third floors of the Johnson Pavilion, estimated to cost $13,350,764, be and the same hereby are approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, proceed with such renovations, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such renovations as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

Action........3. A Resolution on Sale of Property Located at Duportail and Swedesford Roads, Tredyffrin Township, Chester County, Pennsylvania, was approved as follows:

The University owns a parcel of land comprising approximately 58 acres (the "Property") located at the intersection of Swedesford Road and LeBoutillier Road in Tredyffrin Township, Chester County. A portion of the property comprising approximately 34 acres was transferred to the Trustees of the Moore School of Electrical Engineering in 1965 by the United States of America and was previously a part of the U.S. Philadelphia Defense Area Nike Battery. The remaining portion of the Property was acquired by the Trustees of the Moore School of Electrical Engineering as a gift from a private party in 1983. In December, 1990 all assets of the Moore School of Electrical Engineering, including the Property, were transferred to the University.

The University has received an offer to purchase the Property for a purchase price of $2,760,000. The purchaser's obligation to proceed with the transaction is contingent upon a satisfactory review of environmental and other conditions at the Property and a favorable assessment of the Property's development potential. These contingencies expire 180 days after execution of the purchase agreement with the University. Proceeds from the sale of the Property will be allocated to the School of Engineering and Applied Science as endowment to fund professorships.

RESOLVED, that the Executive Vice President or any other appropriate officers of the University be and they hereby are authorized to proceed with the sale and conveyance of
the Property for the purchase price of $2,760,000 and to proceed with the execution and delivery of a Purchase Agreement on such terms and conditions as such officers may deem appropriate as well as a Deed, and all necessary affidavits and other documents required in connection with such sale and conveyance, and that any actions heretofore taken by such officers in furtherance of the purposes of this resolution are hereby ratified and affirmed.

Action........4. A Resolution on Sale of Property Located at Providence and Malvern Roads, Willistown Township, Chester County, Pennsylvania, was approved as follows:

In 1950 and 1966, the University acquired property comprising a total of approximately 44 acres (the "Property") located at the intersection of Providence Road and Malvern Road in Willistown Township, Chester County, Pennsylvania. The Property is the site of the University's Flower and Cook Astronomy Observatory. A portion of the Property comprising approximately 9 acres was sold by the University in 1950.

The University has received an offer a purchase a portion of the Property comprising approximately 31 acres for a purchase price of $1,200,000. A parcel comprising approximately 4 acres on which the astronomy observatory is currently located will be retained by the University. Proceeds from the sale of the 31-acre parcel will be allocated to the School of Arts and Sciences to fund Astrophysics initiatives.

RESOLVED, that the Executive Vice President or any other appropriate officers of the University be and they hereby are authorized to proceed with the sale and conveyance of the 31 acre parcel for a purchase price of $1,200,000 and to proceed with the execution and delivery of a Purchase Agreement on such terms and conditions as such officers shall deem appropriate, as well as a Deed and all necessary affidavits and other documents required in connection with such sale and conveyance and that any actions heretofore taken by such officers in furtherance of the purposes of this resolution are hereby ratified and affirmed.

Action........5. A Resolution on Sale of Property in Jackson Township, New Jersey, was approved as follows:

In 1984, the University received as a gift a parcel of real property (the "Property") comprising approximately 162 acres in Jackson Township, New Jersey. The University has received an offer to purchase the Property for $200,000. Proceeds from the sale of the property will be allocated to the School of Arts and Sciences for the Department of Chemistry.

RESOLVED, that the Executive Vice President or any appropriate officer of the University be and they hereby are authorized to proceed with the sale and conveyance of the Property for a sale price of $200,000 and 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 that any actions heretofore taken by such officers in furtherance of the purposes of this resolution are hereby ratified and affirmed.

C. Investment Board - Mr. Neff

Mr. Neff reported that the value of the Associated Investment Fund was just under $1.2 billion, and that the value of Penn’s total endowment, including the separately invested funds, was just over $1.6 billion. Penn’s investments have benefited recently by the recovery of the bond market and also by the energized equity market. The portion of Penn’s investments in equities remains about 54%.
The AIF (Neff-managed) Common Stock total return performance has been better than the S&P
500’s since December 31, 1994 (increasing 11.4% versus 10.9% for the S&P); however, the AIF still trails
the S&P in performance for the NACUBO year that began July 1 (10.2% v. 16.3%).

Both the stock and bond markets have accepted the so-called “soft landing,” which is expected to
permit the current business expansion to last some 50 months. The Federal Reserve has raised interest rates
7 times, with short rates increasing some 300 basis points. The economy’s growth, which had been
moderate, is now less moderate, having been ratcheted down by the Fed’s rate hikes, from 4% to 2.5%
growth. It is almost unparalleled in post-World War II history for the regulators to have acted that mightily
and effectively, Mr. Neff noted. The interest-sensitive stocks in which Penn holds a large position--banks,
thrifts, insurance companies--have benefited greatly from this action. Penn also holds a large position in
cyclicals--automobiles, basic commodities--and these have not been as participative in the recent recovery,
having peaked during fall. Mr. Neff believes that with the projected 3-5 more years of business expansion,
strong earnings in this undervalued area will endure.

V. Overseer and Other Boards

The following resolutions were approved, all effective April 27, 1995:

RESOLVED, that the Hon. Marjorie O. Rendell be appointed to the Board of Overseers
of the School of Arts and Sciences for a three-year term.

RESOLVED, that Judith Roth Berkowitz be appointed to the Board of Overseers of the
Graduate School of Education for a three-year term.

RESOLVED, that Joseph F. Rascoff and Denise Scott Brown be appointed to the Board
of Overseers of the University Libraries for three-year terms.

RESOLVED, that Edgar Bronfman, Jr. be appointed to the Board of Overseers of the
Wharton School for a three-year term.

RESOLVED, that Ian J. Berg and Vincent G. Bell, Jr. be elected members of the Board of
Managers of the Wistar Institute.

RESOLVED, that Audrey Cale Bedford, Robert A. Fox, Elsie Sterling Howard, Anthony
P. Jannetta, Kenneth L. Shropshire and Myles H. Tanenbaum be appointed to the
Athletics Advisory Board for three-year terms.

There being no further business to come before the meeting, it was adjourned.

Respectfully submitted,

Barbara Ray Stevens
Vice President and Secretary
of the University