Minutes of Stated Meeting of the

Executive Committee
of the Trustees of the
University of Pennsylvania

April 19, 1996

A meeting of the Executive Committee of the Trustees of the University of Pennsylvania was held at 2:15 pm Friday, April 19, 1996 in the Tea Room, Faculty Club. Trustees attending were Gloria T. Chisum, Robert A. Fox, Stephen J. Heyman, Andrea Mitchell, Russell E. Palmer, James S. Riepe, Judith Rodin (ex officio), Alvin V. Shoemaker, Myles H. Tanenbaum, and P. Roy Vagelos, chair. Others attending included Stanley Chodorow, Virginia Clark, John A. Fry, Karen Gaines, Ben Hammer, William N. Kelley, Trudy J. Kuehner, Ed Resovsky, Barbara R. Stevens, and Duncan Van Dusen.

I. Call to Order - Dr. Vagelos

Dr. Vagelos noted that the Executive Committee had met in executive session earlier that day to consider the purchase or lease of real property.

A. The minutes of March 5, 1996, which had previously been distributed, were approved as written by the Secretary.

B. A Resolution on the Naming of the Richard L. Solomon Laboratories of Experimental Psychology was approved as follows:

The faculty of the Department of Psychology has proposed that the Psychology Laboratory Building at 3720 Walnut Street be renamed the Richard L. Solomon Laboratories of Experimental Psychology in honor of their late colleague, who died on October 12, 1995 at age 77. This proposal has the enthusiastic support of the Dean of the School of Arts and Sciences, the Provost, and the President.

Dr. Solomon received his A.B. degree in 1940 and master’s degree in 1942 from Brown University. After wartime service with the Office of Scientific Research and Development, he earned his Ph.D. from Brown in 1947. He taught for a year there before joining Harvard’s Department of Social Relations, where he became full professor in 1953. He joined Penn’s Department of Psychology and Institute for Neurological Sciences in 1960 as the first James M. Skinner University Professor of Science. At Penn, he took a leading role in work in perception, avoidance learning in dogs and people, the effects of punishment on subsequent behavior, the interaction of Pavlovian conditioned reflexes with instrumental behavior, the conditions for establishing learned helplessness, and drug addiction.
A brilliant scientist, Dr. Solomon was also an extraordinary teacher and mentor. Upon retiring in 1984, he had published some 65 papers and supervised 35 doctoral dissertations. He also served as the first Faculty Master of Van Pelt College House--Penn’s first college house--and the first head of the University Scholars Program. Among his many honors were election to the National Academy of Sciences and the American Academy of Arts and Sciences; a Guggenheim Fellowship; and awards including the Society of Experimental Psychologists’ Warren Medal for research, the Monie A. Ferst Award of Sigma Xi, and a Distinguished Achievement Citation from Brown University.

RESOLVED, that the Psychology Laboratory Building be renamed the Richard L. Solomon Laboratories of Experimental Psychology, in honor of one of the University's most distinguished and beloved citizens.

President Rodin noted that a great mentor is someone who influences you at a critical juncture in your life, and for her that early mentor was Dick Solomon. The naming of the Solomon Laboratories was especially meaningful to her, she said, since it was under his tutelage at Penn that she worked for four years as an experimental psychologist and developed her own love of the field.

II. **President's Report - President Rodin**

A. **Comments**

**Trip to Asia.** President Rodin reported that she had recently returned from South Korea and Hong Kong, where she traveled for ten days in March on behalf of the University, and that she brought greetings from those countries. Penn has a large and extraordinarily enthusiastic alumni base in these countries, and very dedicated parents who are deeply knowledgeable about Penn and committed to what Penn is doing. She also met many parents of applicants who were anxiously awaiting word from Penn’s Admissions Office (many were admitted, and Penn looks forward to welcoming them).

President Rodin had the honor of visiting with the Prime Minister of Korea, the Chief Secretary of the Government of Hong Kong, and many corporate leaders in both countries, many of whom had Penn affiliations.

President Rodin also met with the presidents of several first-rate universities, particularly those with whom Penn has collaborative relationships or exchange programs. Penn is getting as much as it is giving from these high-level programs, she noted. With each of these groups, President Rodin said, she had the pleasure of being able to talk about Penn, the activities in which Penn is currently engaged, the role of Penn as a leader in the use of technology in education, and other issues of mutual interest.

**Admissions.** Acceptance letters were mailed earlier this month to 4,725, or 29%, of applicants to Penn’s Class of 2000. Penn received a record 16,000 applications, 6 percent more
than last year, making this the most selective class ever. The accepted students represent 71 countries and all 50 states and are academically spectacular.

**U.S. News & World Report Rankings.** In March, *U.S. News & World Report* ranked graduate and professional programs around the nation. The Department of Architecture and four Penn schools were ranked in the top ten. The top-ten schools are Wharton, Medicine, Law, and Nursing. Among the business schools, the results of the *U.S. News & World Report* survey of 292 accredited M.B.A. programs were the closest in its history. The top three schools--Stanford, MIT, and Wharton--were separated by less than 2/10ths of a point, which many would consider statistically insignificant. Importantly, Wharton departments received top-five rankings in seven of eleven categories.

**Office of Budget and Management Analysis.** President Rodin reported that the appointment of Michael Masch as Executive Director of Penn’s Office of Budget and Management Analysis and Assistant to the President, effective May 13, was announced the prior week. Mr. Masch is widely credited in Philadelphia with part of the City’s major economic turnaround. He crafted the budget and strategic plan that really has led to Philadelphia’s economic success, with very good budget analysis and also intensively good management accountability procedures and follow-up. The office he will direct at Penn has accordingly been renamed the Office of Budget and Management Analysis, and Mr. Masch is expected to perform at the same high level of at Penn.

**Luncheon for Newly Emeritus Faculty.** President Rodin noted that this is the time of year when Penn has the opportunity to remind itself of all of the ways in which Penn excels. Earlier in the week she attended a luncheon for newly emeritus faculty which was an opportunity to honor those of the faculty who have made distinguished contributions over many years.

**B. Academic Report - Dr. Chodorow**

1. **Comments**

**21st Century Project Update.** Provost Chodorow reported that while Dean Stetson was accepting the extraordinary Class of 2000, the 21st Century Project Committees have spent the year preparing for them. Over the year they have received reports on advising; community service learning; research involvement for undergraduates, pilot projects connected to residential living which have developed well and been taken over and essentially been integrated into student life by the students themselves; curricular development, focused on the creation of additional cross-school programs for undergraduates, both at the major and minor level; and a considerable amount of work on the advancement of technology in the classroom and in education in general. The project is now moving into implementation phases in many of these areas. The pilots, for example, will be operative next year, and studies are being undertaken now to develop the advising system and to expand community service learning.

**Faculty and Student Honors.** The Provost reported on highlights among recent faculty and other honors.
Prof. Nancy Farriss in the Department of History, Prof. Al Fishman from the Department of Medicine and Prof. Laurie Olin from the Department of Landscape Architecture and Regional Planning were elected Fellows of the American Academy of Arts and Sciences.

Prof. Stephen Morris in the Department of Economics has been selected as a Sloan Research Fellow. These fellowships are awarded to young scientists who have demonstrated special creative ability in the physical sciences, mathematics, neuroscience, computer science and economics.

Prof. Siegfried Wenzel in the Department of English has been awarded the Haskins Prize, the highest honor that can be given to a medievalist in the United States.

Prof. Renée Fox in the Department of Sociology received l’Ordre de Léopold II from the Belgian Government in recognition of her more than 35 years of research and publications in Belgium.

Finally, the Panhellenic Council of the University of Pennsylvania was named "Outstanding Panhellenic" for schools with five to ten sororities at the annual Northeast Panhellenic/Interfraternity Conference in Washington, D.C. The award is based on outstanding programming, scholarship and service.

**Action**

2. Dr. Chodorow introduced the Resolution on Faculty Appointments and Promotions printed at pp. 2-32 of the meeting book, noting that among the appointments included was the appointment of Dr. Peter F. Davies as Professor of Pathology and Laboratory Medicine in the School of Medicine and as Professor of Bioengineering in the School of Engineering and Applied Science. Dr. Davies will be the first director of the Institute of Medicine and Engineering which will be located in the Vagelos Laboratories. The resolution was approved, and Dr. Vagelos commended the Provost for the enhanced material on tenure candidates now being included with the agenda trustees receive in advance of meetings.

**C. Financial Report - Mr. Fry**

Mr. Fry presented a financial report including financial performance projections and key statistical data on the performance of Penn’s restricted endowed and quasi-endowed funds, gift funds, and grant and contract funds as of March 31, 1996. In addition, his report covered the operating performance of the Health Services component of the University of Pennsylvania Health System for the eight months ended February 29, 1996.

**University - Unrestricted.** Mr. Fry reported that as of the end of nine months of the current fiscal year, a General University surplus of $25,000 is projected, 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 special program and fee revenue, temporary investment income, and savings in salary expenses, graduate student aid and utility expense. Negative factors are projected shortfalls due to the shift in the Commonwealth Appropriation...
from the General University to the School of Veterinary Medicine, the anticipated loss of the Morris Arboretum Commonwealth Appropriation, graduate tuition, summer and special tuition, indirect cost recovery, gift income, sales revenue, projected overruns in several expense categories, and a contingency reserve for a Federal indirect cost recovery reduction.

Collectively, the schools and centers are projected with a deficit of $2.6 million. Deficits are projected for the School of Arts and Sciences ($2,000,000), the School of Dental Medicine ($300,000), the Annenberg Center ($250,000) and Intercollegiate Athletics ($150,000). The Graduate School of Education is projected with a surplus of $100,000. All other schools and centers are projected at breakeven performance. These projections include a $1 million contingency reserve for a reduction of 2.5% in our FY96 federal indirect cost recovery rate, which is currently being negotiated.

University - Restricted. Restricted expenditures increased by 5.5% as compared with the same time the prior year. Endowment, Gift and Grant and Contract Fund Expenditures increased by 9.5%, 28.8% and 2.4%, respectively, over the same period the prior year. The current amount available for grant and contract expenditures of $195.7 million is 8.3% more than at the same time last year, and projected on a straight-line expenditure basis, months of expendable awards are 5.7% higher than at the same time the prior year.

Health System - Health Services Component. For the eight months ended February 29, 1996, the Health Services (which consists of HUP, Presbyterian Medical Center, CPUP, Clinical Care Associates and Franklin Physician Services) generated an excess of revenue over expenses of $62.7 million. The Physician Practices reported a deficit of $3.8 million while the Hospitals reported a balance of $66.5 million.
D. **Health System Report - Dr. Kelley**

**Education Retreat.** Dr. Kelley reported that the School of Medicine had held a major Education Retreat on April 10, which brings the School to an important milestone in major curricular changes that it is moving to implementing. The School is very excited about this because it believes the proposed new curricular model has the potential to change medical education for the next century.

**BRB II.** The bids are back on construction work for the Biomedical Research Building II and came in at expectation.

**Capital Campaign.** The Health System’s Capital Campaign had raised $325 million at March 31, 1996.

**Main Line Health.** The Health System prevailed in a matter brought before the Radnor Zoning Board by Main Line Health, which objected to the Health System’s multi-specialty satellite in Radnor. Construction plans for a Penn Medicine at Radnor satellite are now moving forward.

President Rodin thanked Dr. Kelley for his report and added that she had had the pleasure of attending part of the School of Medicine’s Education Retreat and that she shares Dr. Kelley’s enthusiasm for both the vision and the hard work that the faculty has devoted to their thinking on the future of medical education. This is another area in which Penn will surely play a leadership role, she noted.

III. **Trustee Committee Reports**

A. **Budget and Finance - Mr. Fox**

*Action........1.* A Resolution to Establish a Vermont Risk Retention Group and a Bermuda Single Parent Captive Insurance Company was approved as follows:

The University has undertaken a comprehensive evaluation of its corporate-wide risk management program. The purpose of this study was to ensure that the University has an appropriate risk retention philosophy and long term strategy for managing its risks. As a result of the study, and based on selected risk financing criteria, the Administration proposes that the University establish two separate entities to accumulate funds and finance its insurance risks, as follows:

1) a Vermont Risk Retention Group to insure the University's medical professional liability and, where appropriate, other retained liability exposures; and

2) a Bermuda Single Parent Captive Insurance Company to reinsure business of the Risk Retention Group and, where appropriate, other retained property and liability exposures.
This action will require an estimated initial capital investment of $870,000, which will be funded by the University.

RESOLVED, that formation of a Vermont Risk Retention Group and a Bermuda Single Parent Captive Insurance Company, requiring an estimated initial $870,000 capital investment, be and the same hereby is approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such investment 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........2.** A Resolution on Rehabilitation of College Hall, Phase IV was approved as follows:

In June 1990, the Trustees approved Phase I of the rehabilitation of College Hall. This phase involved the rehabilitation of the building's southeast quadrant envelope and structure.

In June 1991, the Trustees approved Phase II of the rehabilitation project. Phase II involved the rehabilitation of the south central section of the building, including the envelope, structure, interior systems and finishes.

In June 1993, the Trustees approved Phase III of the rehabilitation, which included work on the envelope and structure of the building's north side.

The University now proposes to begin Phase IV of the rehabilitation. The scope of work for Phase IV includes replacing mechanical and electrical systems, adding a sprinkler system and replacing finishes in the building's north central section. This phase also includes the restoration of Room 200 and the renovation of the President's and Provost's offices. This phase of the project is estimated to cost $3,846,000 and will be paid for by project funding sources.

RESOLVED, that Phase IV of the rehabilitation of College Hall, estimated to cost $3,846,000, be and the same hereby is 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 rehabilitation, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost 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 Increase in Approved Construction Costs of the Roy and Diana Vagelos Laboratories of the Institute for Advanced Science and Technology was approved as follows:
In June 1995, the Trustees approved construction of The Institute for Advanced Science and Technology - Phase I (named by the Trustees in October 1995 as "The Roy and Diana Vagelos Laboratories of The Institute for Advanced Science and Technology") at an estimated total project cost of $50 million. At the time, the construction plans and specifications were complete and the project was out to bid.

Based on the subsequent receipt and evaluation of competitive bids, the Administration proposes that the approved project cost be increased to $52 million. The project will be paid by a federal grant and other project funding sources.

RESOLVED, that the construction of the Roy and Diana Vagelos Laboratories of The Institute for Advanced Science and Technology, estimated to cost $52 million, be and the same hereby is 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 construction, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost 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........4. A Resolution on the Acquisition of 3100-98 Chestnut St., Philadelphia, Pennsylvania was approved as follows:

The Trustees of the University of Pennsylvania (the “Trustees”) recognize that there are strategic parcels of real estate within the West Philadelphia area which the University should acquire when satisfactory terms and conditions are available. The Trustees intend to designate the property known as 3100-98 Chestnut Street in Philadelphia, Pennsylvania (the "Premises") as such a strategic property and to authorize, ratify and confirm the acquisition thereof on the terms and conditions set forth below.

RESOLVED, that the Trustees deem it advisable and in the best interest of the University to purchase the Premises from 3100 Chestnut Associates (the “Seller”) for a purchase price of not more than Six Million Five Hundred Thousand Dollars ($6,500,000.00); and

FURTHER RESOLVED, that the President, Executive Vice President, Vice President for Finance, Treasurer or any Vice President of the University is hereby authorized to execute and deliver, and the Secretary or any Assistant Secretary of the University is hereby authorized to attest, such documents as are necessary and appropriate to effectuate the purchase of the Premises as provided herein, including, without limitation, an agreement of sale, special warranty deed, bill of sale, assignment and assumption of leases and service contracts, transfer tax and title insurance affidavits and title insurance indemnities, the execution of such documents
by such officers to be conclusive evidence of the approval thereof and of the terms
and conditions contained therein by the University; and

FURTHER RESOLVED, that the President, Executive Vice President, Vice
President for Finance, Treasurer or any Vice President of the University is hereby
authorized to designate one or more straw parties or nominees to act as the agent of
the University in purchasing the Premises, and to hold title to the Premises in such
capacity, including, without limitation, Aegis Property Group, Ltd., Berwind
Property Group, and Building Exchange Company, and the officers of the University
designated above are further authorized to enter into such straw party or agency
agreements on such terms and conditions as such officers deem necessary and
appropriate to effectuate the transactions described herein, and in connection
therewith to indemnify such agents, straw parties and nominees and hold them
harmless from liability for acting in such capacity on behalf of the University; and

FURTHER RESOLVED, that the University does hereby ratify, confirm and
approve any and all actions taken and documents executed and delivered prior to the
adoption of this resolution by the President, Executive Vice President, Vice
President for Finance, Treasurer and any Vice President of the University in
connection with the transactions referred to in these resolutions; and

FURTHER RESOLVED, that the President, Executive Vice President, Vice
President for Finance, Treasurer or any Vice President of the University is hereby
authorized in the name and on behalf of the University to perform any and all acts as
may be necessary or desirable to execute, file and deliver all instruments and other
documents contemplated by the foregoing resolutions and to take any and all further
actions which such officers may deem necessary or desirable to effectuate any action
authorized by these resolutions and otherwise to carry out the purposes and intent of
the foregoing resolutions; and the execution by such officers of any such documents
or the performance by such officers of any such acts in connection with the
foregoing matters shall conclusively establish such officer’s authority therefor from
the University and the approval and ratification by the University of the documents
so executed and the actions so taken.

Action.........5. A Resolution on the Sale of 3025 Walnut Street, Philadelphia, Pennsylvania
was approved as follows:

In 1989, the University acquired the property at 3025 Walnut Street, Philadelphia,
Pennsylvania ("Property") for a purchase price of $1,900,000. The Property consists
of an approximately 20,000 square foot parcel of land and includes an approximately
38,000 square foot three-story building.

The University proposes to sell the Property to Genovo, Inc., a biotechnology
start-up firm in which the University holds a significant equity interest. The sale
price would be $1,900,000 with a credit to Genovo of $450,000 applied to the sale
price to reflect the deferred maintenance costs associated with Genovo’s planned
renovations and improvements to the building. As part of the transaction, Genovo would grant to the University a right of first refusal in connection with any subsequent sale of the Property. The University would also agree to repurchase the Property at the request of Genovo, Inc. at any time prior to June 30, 2000 for a purchase price which would not exceed $1,900,000.

RESOLVED, that the sale of 3025 Walnut Street, Philadelphia, Pennsylvania for a sale price of $1,900,000 minus a credit of $450,000 for deferred maintenance work, together with a right of first refusal granted to the University by the Purchaser and the University's agreement to repurchase the Property through June 30, 2000 for a price not in excess of $1,900,000 at the Purchaser's request, be and the same hereby are approved and that the Executive Vice President, Vice President for Finance, Treasurer or other appropriate officers of the University be and they hereby are authorized to proceed with the execution and delivery of a Purchase Agreement on such terms and conditions not inconsistent with this resolution 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 action heretofore taken by such officers in furtherance of the purposes of this resolution are hereby ratified and affirmed.

Action........6.  A Resolution on the Purchase of a Field Emission Transmission Electron Microscope for the School of Engineering and Applied Science, the School of Arts and Sciences, and the Laboratory for Research on the Structure of Matter was approved as follows:

The University proposes to purchase and install a JEOL 2010F field emission transmission electron microscope for use in multi-disciplinary research programs studying microstructural property relationships in materials. The purchase and installation of the equipment is estimated to cost $1,366,000 and will be paid for by a project grant and other funding sources.

RESOLVED, that the purchase and installation of a JEOL 2010F field emission transmission electron microscope, estimated to cost $1,366,000, be and the same hereby is approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

B.  Investment Report - Mr. Riepe

At March 31 the market value of the Associated Investments Fund was over $1.4 billion; the value of the Total Endowment approached $1.9 billion. After a booming stock market in 1995, many would have been pleased with a stable environment in 1996, but the market as measured by the S&P is up 5% this year. Penn continues, then, in a very fortunate stance. Its domestic equities have had a total return in the range of 5-7%. The bond market, sadly, has been
a little less buoyant and is off a couple percentage points, but Penn’s bonds are only off one percentage point. The AIF share for the year-to-date through March is up 4.2%.

Penn has a current allocation of 54% in equities, 11% of which is international. This is a new commitment for Penn over the past three months, and a very important one for the diversification of the portfolio.

The Board continues to make progress on the daunting task of selecting managers to succeed John Neff. To date it has selected two domestic and two international stock managers, and allocated approximately $650 million of Penn’s $1 billion equity investment. The Board is targeting completion of the transition process by June 30.

With respect to the current market outlook, Mr. Riepe noted that most in the business believe that equities are fairly fully valued at this time, while bonds are relatively attractive on a historical basis. This belief is being reflected in the various investment managers’ portfolios.

IV. Overseer and Other Boards

The following resolutions were approved:

RESOLVED, that Paul Kelly be appointed to the Board of Overseers of the School of Arts and Sciences for a three-year term, effective April 19, 1996.

RESOLVED, that Paul S. Levy be appointed to the Board of Overseers of the School of Law for a three-year term, effective April 19, 1996.

RESOLVED, that Mary Ann Greenawalt be appointed to the Board of Overseers of the School of Social Work for a three-year term, effective April 19, 1996.

RESOLVED, that the following legislators be appointed as ex officio members of the Board of Overseers of the School of Veterinary Medicine: the Majority and Minority Chairs of the Pennsylvania House of Representatives Committee on Agriculture and Rural Affairs (currently Rep. Raymond Bunt, R-Montgomery, and William Lloyd, D-Somerset); and the Majority and Minority Chairs of the Pennsylvania Senate Committee on Agriculture and Rural Affairs (currently Sen. Roger A. Madigan, R-Bradford, and Patrick Stapleton, D-Indiana).

RESOLVED, that Mark Winkelman be appointed to the Board of Overseers of the Wharton School for a three-year term, effective April 19, 1996.

RESOLVED, that Robert H.A. Nixon be appointed to the Board of Managers of The Wistar Institute for an initial term through December 31, 1996.

RESOLVED, that Stephen J. Heyman be appointed to the Board of Overseers of the School of Nursing for a three-year term, beginning April 19, 1996.
There being no further business to come before the meeting, it was adjourned at 2:45 pm.

Respectfully submitted,

Barbara R. Stevens
Vice President and Secretary
of the University