Minutes of Meeting of
the Executive Committee of the
Trustees of the
University of Pennsylvania

May 16, 1996

A meeting of the Executive Committee of the Trustee of the University of Pennsylvania was held at 2:00 pm Thursday, May 16, in the Lenape Room, Faculty Club. Trustees present were Susan W. Catherwood, Robert A. Fox, Stephen Heyman, Elsie Howard, Natalie Koether, Andrea Mitchell (by telephone), Judith Rodin (ex officio), Alvin V. Shoemaker, Myles H. Tanenbaum, and P. Roy Vagelos, chair. Others attending included Jennifer Baldino, Stanley Chodorow, John A. Fry, Karen Gaines, Constance C. Goodman, Shelley Z. Green, Jason E. Horger, William N. Kelley, Trudy J. Kuehner, Stephen Steinberg, and Barbara R. Stevens.

I. Call to Order - Dr. Vagelos

A. The minutes of the meeting of April 19, 1996 were approved as distributed.

II. President's Report - Dr. Rodin

A. Comments

President Judith Rodin reported that over the next two years, the partnership between Penn and Barnes & Noble, the nation’s largest bookseller, will result in the development of the first University superstore in America. The superstore marks the first phase of an enlivened retail and recreational corridor along Walnut Street which will dramatically contribute to the vibrancy of Penn’s campus.

President Rodin announced that, to date, 2,347 students have accepted invitations to join Penn’s Class of 2000 in the fall. Penn’s Class of 2000 will have representatives of all 50 states--including the long unrepresented Dakotas--and 55 countries. Dr. Rodin noted that for the first time in Penn’s history, 50% of the freshman class will be women. The incoming freshmen are among the best and brightest in the world, ranking in the top 3 percent of their senior classes.

The president announced the appointment of Kenneth J. Wildes, Jr. to the newly created position of Director of University Communications. Mr. Wildes is currently Vice President for University Relations at Northwestern University. He will begin working at Penn on July 1. The president explained that Mr. Wildes will be responsible for internal and external communications and public relations and will develop and manage a strategic communications plan and serve as the primary spokesperson for Penn.

President Rodin introduced resolutions on the reappointment of three deans whose initial terms would expire in academic year 1996-97: Deans Farrington, Gerrity, and Kelley. Each had been recommended for reappointment by their respective Dean Review Committees, and she noted her pleasure in forwarding these recommendations. She spoke briefly about each of their accomplishments:

Dr. Gregory Farrington, Dean of the School of Engineering and Applied Science, is an articulate, effective spokesman for the Engineering School and has defined a future for the school that is visionary and draws on the strengths of the entire University. In this academic year alone, Dean Farrington lead SEAS to two major milestones, the 50th anniversary celebration of ENIAC and the ground-breaking of the first phase of the Institute for Applied Science and Technology--the Roy and Diana Vagelos Laboratories.

Dr. Rodin noted that Dean Thomas Gerrity’s dynamic leadership has helped the Wharton School to maintain its preeminence nationally, and the school is now considered by most to be the top-ranked business school in the country. With Dean Gerrity at the helm, Wharton is flourishing and is exemplary in global leadership. Further, Wharton is a model of realigning its strategic goals to the University’s.
Under Dean William Kelley’s deanship, the School of Medicine increased meteorically in pre-eminence nationally while adapting to rapid and often difficult changes in medicine and health care. Dean Kelley created an even stronger interdisciplinary environment rich in clinical and research opportunities for students and faculty.

**Action**........ 1. A Resolution on the Reappointment of Gregory C. Farrington as Dean of the School of Engineering and Applied Science was approved as follows:

RESOLVED, that Gregory C. Farrington be reappointed Dean of the School of Engineering and Applied Science for an additional five-year term beginning July 1, 1997.

**Action**........ 2. A Resolution on Reappointment of Thomas Gerrity as Dean of the Wharton School was approved as follows:

RESOLVED, that Thomas P. Gerrity be reappointed Dean of the Wharton School for an additional five-year term beginning July 1, 1997.

**Action**........ 3. A Resolution on Reappointment of William N. Kelley as Dean of the School of Medicine was approved as follows:

RESOLVED, that William N. Kelley be reappointed Dean of the School of Medicine for an additional five-year term beginning October 1, 1996.

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

1. Comments

As he reported before the University Council several weeks ago, Provost Stanley Chodorow stated that his negotiations with both the Army and Navy have come to an end on the ROTC issue. The provost noted that he pursued negotiations diligently since September 1994, working his way from local commanders to the highest levels of military leadership. The Army, Navy, and DOD have made it clear that they would like to maintain their current relationship with Penn. The provost explained that since Penn is a contractual partner with these organizations, Penn is not in a position to unilaterally change its relationship. As such, the provost has concluded that further negotiations would be futile.

Provost Chodorow reported that the four undergraduate schools have approved the Code of Academic Integrity and the Student Disciplinary System, and a mediation service will be established to work within the new system.

The provost announced that Michele Goldfarb, who has been the Acting Judicial Inquiry Officer since last August, has been named the new JIO, effective immediately. Ms. Goldfarb earned her B.A. at Oberlin College in 1972 and received her J.D. from The American University's Washington College of Law in 1975. She has been an Assistant District Attorney in Washington and in Philadelphia, has taught criminal procedure at Temple University, and has been senior law clerk to the Hon. Phyllis W. Beck of the Superior Court of Pennsylvania. In 1992 she was named to the clinical faculty of the Penn Law School.

The provost reported that the search committees for a new dean of GSFA, a Vice Provost for Research, and a Chaplain have made their reports and submitted candidate names to the President and him. He noted that all of the candidates for all the positions are excellent.

The provost reported that Dr. Norbert F. Scherer from Chemistry has been awarded a Camille Dreyfus Teacher-Scholar Award, an award presented to young faculty members at early stages of their academic careers. A particular feature of the award is the allocation of funding to the Department of
Chemistry for undergraduate educational purposes. The Foundation encourages its use to enhance the undergraduate research experience.

Provost Chodorow also noted that Dr. Jeremy Sabloff, Director of the University of Pennsylvania Museum, has been elected to the American Philosophical Society.

In addition, Keddy Yemane from Geology has been selected a National Science Foundation Visiting Professor for Women.

Action........ 2. The Resolution on Faculty Appointments and Promotions printed at pp. 4-21 of the meeting book was approved.

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 April 30, 1996. In addition, his report covered the operating performance of the Health Services component of the University of Pennsylvania Health System for the nine months ended March 31, 1996.

University - Unrestricted. Mr. Fry reported that at the end of ten 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 $2.55 million. Deficits are projected for the School of Arts and Sciences ($2 million), the School of Dental Medicine ($300,000), the Annenberg Center ($200,000) 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 break-even performance.

University - Restricted. Restricted expenditures increased by 5.7% as compared with the same time the prior year. Endowment, Gift and Grant and Contract Fund Expenditures increased by 6.6%, 37.9% and 2.5%, respectively, over the same period the prior year. The current amount available for grant and contract expenditures of $186 million is 0.7% more than at the same time last year, and projected on a straight-line expenditure basis, months of expendable awards are 1.8% lower than at the same time the prior year.

Health System - Health Services Component. For the nine months ended March 31, 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 $67.3 million. The Physician Practices reported a deficit of $1.6 million while the Hospitals reported a balance of $68.9 million.

D. Health System Report - Dr. Kelley

Dr. William N. Kelley reported that the Health System has recruited the first chair of Family Practice and Community Medicine, Dr. Marjorie Bowman from Wake Forest (Bowman Gray). Dr.
Bowman did her residency at Duke and at Georgetown. She is a leader in the field of family practice and a member of the Institute of Medicine and National Academy of Sciences. She is the first woman chair of any clinical department within the School of Medicine.

Dr. Kelley also reported that Mrs. Michele Volpe, former president and CEO of Mt. Sinai Hospital, has been named Chief Operating Officer of the Presbyterian Medical Center of the University of Pennsylvania Health System.

Dr. Kelley noted that the Health System held a groundbreaking for BRB II on May 13.

Finally, Dr. Kelley stated that the Health System issued $528 million of new bonds in April, $448 million of fixed-rate debt and $80 million of variable rate debt.

III. Trustee Committee Reports

A. Budget and Finance - Mr. Fox

Action........1. A Resolution on the Acquisition of Doylestown Women’s Health Center, Inc. was approved as follows:

Intention:

Management of Clinical Care Associates of the University of Pennsylvania Health System (“CCA”) proposes to cause CCA to acquire Doylestown Women’s Health Center, Inc., a physician obstetrics and gynecology practice in Doylestown, Pennsylvania.

The Board of CCA and The Trustees of the University of Pennsylvania, as sole member of CCA, have adopted a Primary Care Practice Acquisition Approval Process establishing a policy on the required approval process for primary care physician practice acquisitions by CCA. In accordance with such policy, the acquisition of Doylestown Women’s Health Center, Inc. requires approval of the CCA Board, the University of Pennsylvania Health System Trustee Executive Committee, the Budget and Finance Committee of the University of Pennsylvania Trustee Board, and the Executive Committee of the University of Pennsylvania Trustee Board. The CCA Board and the University of Pennsylvania Health System Trustee Executive Committee have approved the acquisition.

RESOLVED, that CCA is hereby authorized to acquire Doylestown Women’s Health Center, Inc., in accordance with the Primary Care Practice Acquisition Approval Process, and to negotiate, execute, deliver and perform definitive agreements regarding such transaction, with such additional terms and changes as the Senior Executive, the Executive Director, the Senior Medical Director, and the Director of Physician Recruitment and Network Development and each of them considers appropriate and in the best interest of CCA; and

FURTHER RESOLVED, that the Senior Executive, the Executive Director, the Senior Medical Director, and the Director of Physician Recruitment and Network Development and each of them is hereby authorized, in the name and on behalf of CCA, to take such further action and to negotiate, execute, deliver and perform such agreements and additional documents, consents, certificates and instruments as such officer may determine to be necessary, appropriate or desirable to carry out the purposes of the foregoing resolutions, such determination to be conclusively evidenced by the taking of such action or the execution of such documents.

Action........2. A Resolution on the Acquisition of Central Bucks Pediatric Associates was approved as follows:
Intention:

Management of Clinical Care Associates of the University of Pennsylvania Health System ("CCA") proposes to cause CCA to acquire Central Bucks Pediatric Associates, a pediatric physician practice in Doylestown, Pennsylvania. The terms and conditions for the acquisition of the practice have been revised from those presented for approval on March 5, 1996.

The Board of CCA and The Trustees of the University of Pennsylvania, as sole member of CCA, have adopted a Primary Care Practice Acquisition Approval Process establishing a policy on the required approval process for primary care physician practice acquisitions by CCA. In accordance with such policy, the acquisition of Central Bucks Pediatric Associates requires approval of the CCA Board, the University of Pennsylvania Health System Trustee Executive Committee, the Budget and Finance Committee of the University of Pennsylvania Trustee Board, and the Executive Committee of the University of Pennsylvania Trustee Board. The CCA Board and the University of Pennsylvania Health System Trustee Executive Committee have approved the acquisition.

RESOLVED, that CCA is hereby authorized to acquire Central Bucks Pediatric Associates, based on the revised terms and conditions, in accordance with the Primary Care Practice Acquisition Approval Process, and to negotiate, execute, deliver and perform definitive agreements regarding such transaction, with such additional terms and changes as the Senior Executive, the Executive Director, the Senior Medical Director, and the Director of Physician Recruitment and Network Development and each of them considers appropriate and in the best interest of CCA; and

FURTHER RESOLVED, that the Senior Executive, the Executive Director, the Senior Medical Director, and the Director of Physician Recruitment and Network Development and each of them is hereby authorized, in the name and on behalf of CCA, to take such further action and to negotiate, execute, deliver and perform such agreements and additional documents, consents, certificates and instruments as such officer may determine to be necessary, appropriate or desirable to carry out the purposes of the foregoing resolutions, such determination to be conclusively evidenced by the taking of such action or the execution of such documents.

Action........3. A Resolution Authorizing the Execution as Co-Maker with Presbyterian Medical Center of the University of Pennsylvania Health System of a Promissory Note in Favor of Capstone Capital of Pennsylvania, Inc. was approved as follows:

Presbyterian Medical Center of the University of Pennsylvania Health System, a Pennsylvania non-profit corporation which is a subsidiary of the University ("PMC"), intends to acquire and terminate the leasehold estate of Capstone Capital of Pennsylvania, Inc. ("Capstone") in and to those certain parcels of property located at 3800 Powelton Avenue, Philadelphia, Pennsylvania upon which are constructed a medical office building and parking structure (the "Premises") for an aggregate purchase price of Nine Million Three Hundred Forty Thousand Dollars ($9,340,000.00). The acquisition of the Premises by PMC was previously approved and authorized by the resolution of The Trustees of the University of Pennsylvania dated June 16, 1995. In connection with, and as partial consideration for, the acquisition of the Premises, PMC has agreed to execute and deliver to Capstone a promissory note in the principal amount of Two Million Forty Thousand Dollars ($2,040,000.00) together with interest thereon at the rate of 9.5% payable in monthly installments of principal and interest of Twenty-Two Thousand Dollars ($22,000.00) each for a term of fourteen (14) years. As a condition to closing, Capstone has requested that the University, as parent corporation of PMC execute such promissory note as a co-maker thereof with PMC.
RESOLVED, that The Trustees of the University of Pennsylvania, a Pennsylvania nonprofit corporation (the "University"), shall execute as co-maker with PMC and deliver to Capstone a promissory note (the "Note") in the principal amount of Two Million Forty Thousand Dollars ($2,040,000.00) together with interest thereon at the rate of 9.5% payable in monthly installments of principal and interest of Twenty-Two Thousand Dollars ($22,000.00) each for a term of fourteen (14) years, and upon such other terms and conditions as the Executive Vice President, Vice President for Finance or the Treasurer of the University may deem advisable; and

FURTHER RESOLVED, that the Executive Vice President, Vice President for Finance or the Treasurer of the University, either alone or together, is hereby authorized, directed and empowered to execute and deliver the Note and such other documents as are necessary and appropriate to effectuate the execution and delivery of the Note, 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 University does hereby ratify, confirm and approve any and all actions taken and documents executed and delivered prior to the adoption of these resolutions by the Executive Vice President, Vice President for Finance or the Treasurer of the University in connection with the transactions referred to in these resolutions; and

FURTHER RESOLVED, that the Executive Vice President, Vice President for Finance or the Treasurer of the University is hereby authorized, directed and empowered in the name and on behalf of the University to perform any and all acts as may be necessary, desirable or appropriate to execute 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, desirable or appropriate 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 act 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.

B. Investment Report - Mr. Tanenbaum

Mr. Tanenbaum reported the outstanding aspect of recent performance was that the value of the Total Endowment at May 9 was $1,950,450,000 within close reach of the $2 billion goal. He commented that reaching this level of endowment is a great landmark with which the Investment Board is very pleased.

Mr. Tanenbaum stated that a significant jump in the return was achieved over the last five months, led by the AIF Equity Fund and the Neff-managed common stocks. Penn’s stock performance over this period exceeded the S&P 500 Index. The bond funds did not perform as well, but nonetheless exceeded the Lehman Bros. and Salomon benchmarks.

IV. Overseer and Other Boards

Action........ A. A Resolution on the Appointment of Diana T. Vagelos to the Board of Overseers of the University Museum was approved as follows:

RESOLVED, that Diana T. Vagelos be appointed to the Board of Overseers of the University of Pennsylvania Museum for a three-year term, effective May 16, 1996.

Action........B. Resolution on the Appointment of Linda Alter and Richard Lane to the Advisory Board of the Institute for Contemporary Art was approved as follows:
RESOLVED, that Linda Alter and Richard Lane be appointed to the Board of Advisors of the Institute of Contemporary Art for three-year terms, effective May 16, 1996.

The chairman noted the impending departure of Trudy Kuehner, Assistant Secretary of the University, and thanked her on behalf of the Trustees for her exemplary service.

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

Respectfully submitted,

Barbara R. Stevens
Vice President and Secretary of the University