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

December 12, 1997

A meeting of the Executive Committee of the Trustees of the University of Pennsylvania was convened at 2:35 p.m., Friday, December 12, 1997 in the Rhoads Conference Room of the Jonathan E. Rhoads Pavilion of the Hospital of the University of Pennsylvania. Trustees present were Gilbert Casellas, Susan Catherwood, Gloria Chisum, Elsie Sterling Howard, Natalie Koether, Arnold Levine, Andrea Mitchell, John Neff, James Riepe, Judith Rodin (ex officio), Alvin Shoemaker, and P. Roy Vagelos (chair). Others attending included Michael Burton, Stanley Chodorow, Virginia Clark, Kathryn Engebretson, John A. Fry, Constance C. Goodman, Shelley Z. Green, Jason E. Horger, William N. Kelley, Barbara J. Lowery, John Prendergast, Duncan Van Dusen, and Michael Wachter.

I. Call to Order - Dr. Vagelos

A. The minutes of the meeting of September 23, 1997 were approved as distributed.

II. President's Report - Dr. Rodin

A. Comments

President Rodin reported that the transition to Trammell Crow's management of facilities services is proceeding smoothly, and a well-defined timeline has been established; the change-over is anticipated for April 1998. The president emphasized that the University has been working very closely with the employees affected by the decision to engage the services of Trammell Crow, and Penn has been successful in maximizing the professional opportunities available to them at this time. She reiterated that the administration's actions have been--and continue to be--guided by a common sense of fairness and the desire to make the workers' transition as smooth as possible.

The president remarked that the third plenary session of the Penn National Commission on Society, Culture, and Community was held last week in Washington, D.C. C-SPAN broadcast the entire first day of events and held a 30-minute call-in interview broadcast the next morning. She noted that the Sprewell incident could not have occurred at a better time in terms of the Commission's interest in civil behavior and the nature of institutions in our society that are influencing the tenor of public discourse and behavior.

President Rodin stated that, yesterday, Penn celebrated the grand re-opening of Kelly Writers House, which had been undergoing a much-needed renovation. The funds for the "face-lift" were
donated by trustee colleague Paul Kelly in honor of his parents. The president commented that the Writers House is an astonishing literary community, and she and others who were present at yesterday's event continue to be impressed by the imagination and resourcefulness of Professor Al Filreis and his colleagues, as well as by the extraordinary creativity of our students.

President Rodin announced that Penn would be celebrating the birthday of Reverend Dr. Martin Luther King, Jr. in a series of events on January 19, which she encouraged everyone to attend. She also noted that Janetta Cole, the recent past-president of Spelman College will be speaking on campus on January 22. The president added that Dr. King attended Penn from 1949-1951, when he enrolled in the Philosophy Department to enhance his studies at Crozer Theological Seminary in Chester, Pennsylvania.

**Action.........B.** President Rodin noted that the Abramsons had shown great vision in establishing the Cancer Research Institute and introduced and asked for action on a Resolution on the Leonard and Madlyn Abramson Family Cancer Research Institute at the University of Pennsylvania Cancer Center, which was approved as follows:

**Intention:**

The University and The Abramson Family Foundation ("Foundation") have jointly formed a new 501(c)(3) entity to be called The Leonard and Madlyn Abramson Family Cancer Research Institute at the University of Pennsylvania Cancer Center ("Institute"). The Institute will engage in cancer research and treatment. The Foundation and the University are the corporate members of the Institute and as such will appoint five and four directors, respectively, to comprise the Institute's Board. The Foundation will make an initial contribution of $10 million to the Institute and intends to contribute at least $100 million provided the Institute is meeting its goals and objectives.

RESOLVED, that the President of the University or her designee, is hereby authorized to take such actions and execute such documents as are necessary or appropriate in connection with the University's role in the formation and operation of the Institute, including appointing directors to represent the University on the Institute's Board, and that all such actions heretofore taken are hereby ratified, confirmed and approved.

**Action.........C.** The president also introduced and asked for action on a Resolution on the Appointment of John J. Heuer as Vice President for Human Resources, which was approved as follows:

RESOLVED, that John J. Heuer be appointed Vice President for Human Resources, effective November 14, 1997.
Mr. John J. Heuer, a member of the human resources division for almost 15 years, has served for the past two years as the director of staff and labor relations. After receiving his bachelor's degree in business administration, industrial relations and organization behavior from Temple University in 1983, he joined the University's Human Resources division. Mr. Heuer initially held various positions in personnel and benefits, became a staff-labor relations specialist in 1985, and moved up to manager of labor relations in 1988. Mr. Heuer holds a master's degree in Organizational Dynamics from Penn and is a member of the College and University Personnel Association, the Industrial Relations Research Association, and the Society for Human Resource Management.

Finally, the president mentioned that Dr. Michael L. Wachter, Deputy Provost of the University since 1995, had been named as Interim Provost, effective January 1, 1998. Dr. Wachter is a professor of economics, management, and law, and he possesses the knowledge, expertise, and insight needed to shepherd the business of the Office of the Provost during the transition to a new provost. President Rodin commented that Penn will miss Provost Chodorow very much, and she added that it was wonderful working with him over the past two-and-one-half years.

Action

..........D. The president introduced and asked for action on a Resolution, which did not appear in the December 12, 1997 meeting book, on the Appointment of Michael L. Wachter as Interim Provost. The Resolution was approved as follows:

RESOLVED, that Michael L. Wachter be appointed Interim Provost of the University, effective January 1, 1998.

C. Academic Report - Dr. Chodorow

1. Comments

Provost Chodorow remarked that he would forgo a formal report and noted that Penn would have a terrific interim provost in Michael Wachter. The provost commented that choosing Wachter as interim provost will assure that there will not be the slightest hesitation in the course of University business and the carrying out of the academic portions of the Agenda for Excellence initiative.

Action

.......... 2. The Provost introduced and asked for approval of a Resolution on Faculty Appointments and Promotions printed at pp. 2-30 of the meeting book, which was approved.

D. Financial Report - Mr. Fry

Mr. Fry reported briefly on the financials since November 30, 1997. He stated that the University, excluding the Health System-Health Services Component, is projecting strong performance for FY’98 under the responsibility-center management principles. Highlights included a decrease in projected revenue from tuition due to some decreases in graduate enrollment over the past year; the
impact of the enrollment decreases has been mitigated somewhat by tuition and fee rate increases and better-than-expected recovery of indirect costs from sponsored programs. Overall sponsored program revenue increased in excess of 12% over corresponding period in FY'97. He noted that his office will be providing the Trustees’ Budget and Finance Committee with a more detailed update for the second quarter of FY'98 at the February 1998 Trustees' meeting.

Regarding the Health System through October 31, 1997, the combined revenue and expenses for the Health Services Component of the Health System had a loss from operations of $21 million, $3.6 million better than budget. After applying non-operating revenue, the Health System had an overall deficit of revenue over expenses of $5.3 million, $5 million better than budget.

E. Health System Report - Dr. Kelley

Dr. Kelley stated that the Health System was ecstatic with the Abramson gift and looked forward to creating magnificent additional research programs. He remarked that he was also very pleased with the proposed additions to the Health System Board and the Executive Committee of the Health System Board, as well as the establishment of the Pennsylvania Hospital Board as part of the University of Pennsylvania Health System, all of which are proposed in resolutions on today's agenda.

III. Trustee Committee Reports

A. Investment Report - Mr. Neff

Mr. Neff remarked that he did not have final numbers on endowment performance since October 31, 1997, but his best guess for the market value of the Associated Investments Fund (AIF) was approximately $1.929 billion; he estimated the November-end value of the total endowment at about $2.6 billion. Mr. Neff commented that "in spite of what you read," the non-equity asset allocations including real estate, high yield securities, fixed income securities, and cash and cash equivalents would be relatively unscathed both to date and looking out to the future; he noted that "cash speaks for itself," and he guessed that "the fixed side might have a little interest rate explosion." High yield continues to "crank along" decently and does not bear much allegiance to Asia and other affected markets. Real estate also continues to rest on a solid foundation. Looking at the equity assets portion of the portfolio, Mr. Neff stated that the emerging market securities "have taken a pretty good bath;" again, he did not have specific numbers as to results but guessed that these securities might have dropped from 6% to 5% of the portfolio. Mr. Neff commented that, in spite of this, we have been helped by the fact that our equity marketplace has been relatively stable, only down 3% from the high this year. Mr. Neff mentioned several examples of companies’ stock performance and noted that many of the technology companies bear a meaningful portion of their revenues in emerging markets, and this fact may explain why you may see many poor quarters that "may not have been too spirited anyway." He explained that the economy is not growing as quickly now, so it is more difficult to increase productivity—all things being equal—and at the same time, wages are moving up very sharply, particularly in the computer and computer-allied areas. As such, Mr. Neff predicted that "we'll be in for a little rougher weather, particularly in the marketplace . . . but we'll try to keep house and home
together." Finally, he noted that Penn has done well so far, with a $2.6 billion endowment currently, versus $200 million in 1979.

IV. Other Boards

Action........A. A Resolution on Appointment of Members to the Boards of Pennsylvania Hospital of the University of Pennsylvania Health System and the University of Pennsylvania Health System Trustee Board Executive Committee, and the Nomination of Members to the First Hospital Foundation Board was approved as follows:

Intention:

In connection with the statutory merger of The Contributors to the Pennsylvania Hospital ("Contributors") into the Pennsylvania Hospital of the University of Pennsylvania Health System ("Pennsylvania Hospital"), the parties agreed that for a period of ten years following the Closing, on October 31, 1997, The First Hospital Foundation ("Foundation") will nominate two persons for appointment to the Pennsylvania Hospital Board of Trustees (referred to as the "Board of Managers") by the University of Pennsylvania Health System. The Foundation has nominated Morris Cheston, Jr., Esquire and Gail W. Hearn, Ph.D. for such appointment to the Pennsylvania Hospital Board. Under the Pennsylvania Hospital Bylaws the members of its Board are appointed for terms of three years. The Bylaws also provide that the Chair of the Pennsylvania Hospital Board be appointed by the Health System Executive Committee Chairman in consultation with the CEO of the Health System/Dean School of Medicine.

Additionally, the parties agreed that the same two Foundation nominees appointed to the Pennsylvania Hospital Board will also be appointed to the University of Pennsylvania Health System Trustee Board Executive Committee for a period of three years from the Closing. Finally, the parties agreed that the Foundation will appoint two Health System representatives to the Foundation Board for a period coterminous with the Foundation’s representation on the Pennsylvania Hospital Board, with one of the two Health System representatives appointed to any investment committee of the Foundation. The Health System Executive Committee recommends approval of such appointments described above.

RESOLVED, that the appointment of the following members to the Pennsylvania Hospital Board is hereby approved:

Thomas E. Beeman (Ex-officio)
Morris Cheston, Jr., Esquire (Chair)
Gail W. Hearn, Ph.D.
RESOLVED, that the appointment of Morris Cheston, Jr., Esquire as Chair of the Pennsylvania Hospital Board is hereby approved.

RESOLVED, that the nomination of the following Health System representatives for appointment by the Foundation to serve as members of the Foundation Board of Trustees is hereby approved:

Thomas E. Beeman
John P. Wynne, Jr.

RESOLVED, that Morris Cheston, Jr., Esquire and Gail W. Hearn, Ph.D. are hereby appointed as members of the Health System Trustee Board Executive Committee, with vote, for an initial term of three years or for as long as each person remains a member of the Pennsylvania Hospital Board, whichever ends sooner.

Action.........B.   A Resolution on Appointment of Morris Cheston, Jr., Esq. to the University of Pennsylvania Health System Trustee Board was approved as follows:

RESOLVED, that Morris Cheston, Jr., Esq. be appointed to the University of Pennsylvania Health System Trustee Board for a three-year term, effective December 12, 1997.

Action.........C.   A Resolution on Appointment of Gail Hearn, Ph.D. to the University of Pennsylvania Health System Trustee Board was approved as follows:

RESOLVED, that Gail W. Hearn, Ph.D. be appointed to the University of Pennsylvania Health System Trustee Board for a three-year term, effective December 12, 1997.

There being no further business to come before the meeting, it was adjourned at 2:55 p.m.
Respectfully submitted,

Barbara J. Lowery
Interim Secretary of the University