Minutes of the Meeting of the Executive Committee of the Trustees of the University of Pennsylvania
December 8, 2000

A meeting of the Executive Committee of the Trustees of the University of Pennsylvania was convened at 3:07 p.m. on Friday, December 8, 2000, in the Woodlands A/B ballroom, Inn at Penn, 3600 Sansom Street.

Trustees present were: Judith Roth Berkowitz, Christopher Brown, L. John Clark, William Mack, Andrea Mitchell, Natalie Koether, James Reipe, Judith Rodin (ex officio), Leonard Shapiro, and Michael Tarnopol.* Others present were: Robert Barchi, Peter Erichsen, John Fry, Phyllis Holtzman, Kimberly Hoover, Leslie Laird Kruhly, Robert Martin, Marguerite Miller, Judith Rogers, Stephen Schutt, and Tristan Schweiger.

I. Call to Order—Mr. James Riepe

A. The minutes of the meeting of September 14, 2000 were approved as distributed.

II. President’s Report—Dr. Judith Rodin

A. Development Report—Mr. Michael Tarnopol

Mr. Tarnopol reported that gifts and pledges to the University stood at $102.7 million as of October 31, 2000, a 25 percent increase over last year’s benchmark for this time. Cumulative fundraising for the Agenda for Excellence stands at $789 million. The Development Committee met in New York City on November 29, 2000 for a discussion of Penn’s volunteer structure for fundraising. The committee considered ways to sustain and reinforce volunteer engagement, particularly as it relates to former trustees, members of various boards and committees, and other donors. Over the next six months, the committee will gather additional comparative information from peer institutions about their volunteer structures, and the committee anticipates having proposals for discussion in Spring 2001. On behalf of the Development Committee, Mr. Tarnopol thanked the University Trustees for their support and assistance.

* Please note that because there was insufficient attendance to constitute a quorum at this meeting, the actions below were presented for ratification and approved at the February 16, 2001 Trustee Meeting.
B. Investment Report—Mr. Christopher Browne

Mr. Browne presented the Investment Report on behalf of Investment Board Chairman Howard Marks.

In the current fiscal year, the Associated Investment Fund (AIF) has outperformed its benchmark by 3.5 percent (through October 2000), with a return of +1.6 percent versus benchmark loss of 1.9 percent. The bulk of this outperformance came from the University's domestic equity portfolio, with its value bias and lack of technology has been steadfast so far this year. Both domestic equity and international equity and diversifying assets (absolute return investment managers) have outperformed their benchmarks so far this year. The only category in which we are not outperforming is in emerging markets, which is a marginal underperformance in comparison to the benchmark.

C. Facilities & Campus Planning—Mr. William Mack

Mr. Mack briefly reviewed the recent meetings of the Facilities & Campus Planning Committee, which focused primarily on the Campus Master Plan, which will be presented to the Trustees for final approval at the February 2001 meeting. Two design and construction presentations were given, one for the renovation of the Carriage House and one for the new Pottruck Fitness Center, both of which will greatly enhance the campus and fulfill demands of the University community. The Hamilton Square Project was discussed, including the 40th Street Garage and the supermarket. The Sundance Thearter Project and the bankruptcy of General Cinema was discussed; the University is in the process of trying to settle with the bankrupt estate and are close to finalization. The University is in discussion with other theater operators to preserve, as much as possible, the Sundance Operation and to continue an advisory/consultory relationship with the Sundance group. The committee will report on any progress.

D. Comments—Dr. Judith Rodin

Dr. Rodin reported that Early Decision letters are being processed for what promises to be yet another extraordinary incoming class. Penn again won the Ivy League Football Championship, a great tribute to an outstanding coach and a great team.

Dr. Rodin then spoke of the University’s recent initiatives with the Republic of Singapore. In the near future, Dr. Barchi, with a team of Penn scientists, will travel to Singapore in follow up to the His Excellency Goh Chok Tong’s, Prime Minister of Singapore, visit to campus in September 2000. The Singapore government is intensely interested in Penn’s work in the life sciences. Penn faculty and students continue to win major awards, of which the Provost will speak, but Dr. Rodin mentioned the National Medal of Science, which was established by Congress in 1959 and has been awarded to 374 distinguished scientists and engineers, was awarded to Dr. Ralph Hirschmann.
professor of bioorganic chemistry, at the White House with a very distinguished cohort of honorees.

The University continues its work with the School District of Philadelphia with the construction planning of the Penn-assisted, PreK-8 school nearly complete for an early-2001 groundbreaking. The University’s partnership with the University City Science Center is making progress with the securing of a site on Market Street for the Carver High School for Engineering and Science—an outstanding magnet school for gifted, college-bound students, which will enhance Penn’s and Drexel’s campuses as well as the Avenue of Technology.

E. Academic Report—Dr. Robert Barchi

Dr. Barchi reported that yet another Penn student, Ari Alexander, is one of just 40 students nationwide to receive the prestigious 2000-2001 British Marshall Scholarship (for two years of study in the United Kingdom) this year. Last year, Andrew March, another Penn undergraduate, won the Marshall Scholarship and is studying for at Oxford for a Master in Philosophy degree. Competition for a Marshall Scholarship is extremely rigorous, with over 1,000 applications received by the Marshall Commission this year alone.

The Provost then noted several improvements at the Van Pelt-Dietrich Library this year, which is celebrating its 250th anniversary. On November 13, 2000, the Library celebrated its acquisition of its 5,000,000th volume by asking heads of state worldwide to donate gifts for the anniversary celebration. Among the 273 gifts received were a Koran from Saudi Arabia, a Swiss map collection, and a jeweled dagger from Morocco. Paul Mosher, Vice Provost and Director of Development for the Library, commemorated the gifts by declaring all 273 as comprising the 5,000,000th acquisition. Dr. Barchi also participated in the official opening of the Goldstein Center, an undergraduate study center funded by a capstone gift by father-son alumni team of Bernard Goldstein (W'53) Mark Goldstein (C'83) and several individual and class gifts.

The new PennINTOUCH electronic worksheet that is designed to facilitate students and their advisors in tracking their progress toward degree continues to progress well. This tool will help transform advising interactions from accounting exercises to real discussion of students' academic interests and options in greater depth. The worksheet was made available on October 17, 2000, and, as of this date, has resulted in 6,700 student-created worksheets and over 300 worksheets created by advisors.

Finally, the Provost presented the following resolution for approval by the Trustees.

Action………..1. A Resolution on Faculty Appointments and Promotions, as presented in pages 1-12 of the meeting book, was approved.
F. Financial Report—Mr. John Fry

For the University, during the first four months of Fiscal Year (FY) 2001, the University, excluding the Health Services Component and other separately-incorporated independent operations, increased its net assets by $54.3 million to a total of over $4.4 billion. Most of this increase, about $43 million, is the result of non-operating contributions to the endowment and various capital projects. The University recorded an increase in net assets from its operating activities of $9 million through October 2000.

As shown on the Statement of Financial Position, plant assets, net of depreciation of $31 million, have increased over $48.3 million since June 30, 2000. This increase is primarily the result of the capital costs incurred for the Mod VII Chiller Plant, Perelman Quad, Hamilton Square, Quadrangle renovations, and Huntsman Hall. The fair value of the University’s endowment (excluding the Health Services Component) was $2.7 billion at October 31, 2000. The Endowment’s fair value is up approximately $128 million from one year ago.

For FY 2001, operating revenue has increased about 14 percent over the comparable period in FY 2000. Overall, tuition and fee revenue, net of direct grants, increased 4.7 percent, reflecting the tuition rate increase and increases in certain special programs. The University continues to see significant strength in revenue derived from contributions and sponsored programs. Sponsored programs revenue, including indirect cost recoveries, increased almost 15 percent over the same period in FY 2000 to a total of $162 million. This increase reflects the number of new sponsored program awards received. The University also recorded an increase of almost 20 percent in combined operating and non-operating contributions from FY 2000 to FY 2001. Overall, expenditures increased 9 percent, primarily the result of the increased sponsored program activities and an increase in depreciation resulting from the recent opening of Perelman Quad. The University also saw improvement in its cash flow over the first four months of FY 2001, as compared to the comparable four-month period of FY 2000.

For the Health System through October 31, 2000 of FY 2001, the Health Services Component of the Health System had an overall increase in net assets of about $16 million. The gain from operations was $7 million for the year, which was favorable to budget by almost $9 million. After accounting for non-operating revenue and other support, the Health Services Component had an overall excess of revenue over expenses of $18.2 million before the adjustment of its investments to fair value.

G. Health System Report—Dr. Robert Martin

Dr. Martin briefly reported on administrative issues. The extensive, nationwide search for an Associate Vice President for Human Resources has been successfully completed with the appointment of Christine Lynch. Ms. Lynch commenced her duties on November 27.
The Strategic Planning Initiatives continue, with anticipated conclusion in the near future. Six different, extensive options have been identified and narrowed down to three options for evaluation by various teams. By February, the group hopes to discuss the outcomes with the Trustees.

The Health System's Development Campaign continues to exceed its goal. As of October 31, 2000, a total of $632.6 million in gifts has been received.

III. Committee Reports—Mr. James Riepe

A. Comments

Mr. Riepe commended the students and the University on the Marshall Scholarship recipient, as it is a reflection on not only the student but the type of institution that produces such stellar scholars. Also, Mr. Riepe mentioned the previous evening’s Undergraduate Scholarship Aid Dinner (attended by a few hundred donors and scholarship recipients) and basketball game—one of the most popular dinners on campus. Lastly, Mr. Riepe was honored to have received the Penn-Cornell Trustees’ Cup, a cup instituted a few years prior, when the universities ended the Thanksgiving Day games, and is proud to have brought it back to campus.

B. Audit and Compliance—Mr. L. John Clark

Mr. Clark presented the Audit & Compliance Report on behalf of Audit & Compliance Committee Chair Paul Kelly.

Mr. Clark reported that on November 13, the Audit & Compliance Committee conducted a special meeting (via telephone) to review the financial statements of the University and the Health System for the interim quarter ended September 30, 2000. The entire meeting was dedicated to a presentation of both Generally Accepted Accounting Principles (GAAP) Financial Statements and the quality of earnings analysis for both operating units by PricewaterhouseCoopers (PwC), which were declared by PwC to be in full compliance with generally-expected accounting principles.

C. Budget & Finance—Mr. L. John Clark

The Budget & Finance Committee met to review the consolidated results of the total University and Health Services Component through October 2000. Mr. Clark presented the following resolutions for approval by the Trustees, all of which were approved by the Budget and Finance Committee.
Action……….1. A Resolution on the Design and Construction of the Life Sciences Quad, Phase I was approved as follows:

Intention:

The School of Arts and Sciences wishes to proceed with the design and construction of a new Life Sciences Quad that will provide a state-of-the-art academic and research facility for the Departments of Biology and Psychology, as well as space for a new University-wide Institute for Genomics. It is proposed that the building will be constructed in two phases, the first of which is proposed here, along with completion of the schematic design for the second phase. The new building (Phase I) will be located south of the Mudd Laboratories between University Avenue and the Botanical Garden and will provide approximately 103,000 gross square feet of wet laboratories, animal, plant and fish facilities; greenhouses, and associated support and office space. Phase I is estimated to cost $57 million and will be funded through gifts, SAS funds, and an internal capital project loan.

Schematic design for Phase II facility will also be accomplished under this project. The Life Sciences Phase II building is anticipated to consist of an additional 120,000 gross square feet (+/-) of research and academic space also for the Departments of Biology and Psychology. The Biology and Psychology programs will include wet, dry, and teaching labs; animal facilities; classrooms; and associated support and office space. Phase II will be located to the north of the Phase I facility on the site of the existing Mudd and Kaplan buildings, which will be demolished to allow for the new building.

RESOLVED, that the design and construction of the Life Sciences Quad, Phase I building, estimated to cost $57 million, be and the same are hereby approved and that the Executive Vice President or other appropriate officers of the University be and they are hereby authorized to take such actions, execute such contracts and incur such expenses and obligations—not, however, in excess of 110 percent of the estimated cost as presented to the Budget and Finance Committee—as may, in their judgement, be necessary or desirable to accomplish the purposes of this resolution.

12/8/00 – #1
Action……….2. A Resolution on the Design and Construction of the New Bolton Center Sports Medicine Building was approved as follows:

Intention:

The School of Veterinary Medicine wishes to proceed with the design and construction of a Sports Medicine Building at the New Bolton Center to support the current and projected growth of the program. This new facility would consolidate the program functions into one building adjacent to the Treadmill Building (also used by the program). It would enable an increase in caseload of approximately 20 percent. The new facility would permit examinations to be watched by clients and students, which will significantly enhance the teaching mission by direct instruction and client communication. In addition, a basic science laboratory and adjoining tissue culture laboratory will permit faculty, graduate, and postdoctoral students to perform research in equine exercise physiology. This project is estimated to cost $3.1 million and will be funded entirely by gifts.

RESOLVED, that the design and construction of the Sports Medicine Center, estimated to cost $3.1 million, be and the same are hereby approved and that the Executive Vice President or other appropriate officers of the University be and they are hereby authorized to take such actions, execute such contracts, and incur such expenses and obligations—not, however, in excess of 110 percent of the estimated cost as presented to the Budget and Finance Committee—as may, in their judgement, be necessary or desirable to accomplish the purposes of this resolution.

12/8/00 – #2

Action……….3. A Resolution on the Design and Construction of the University Museum MEP Infrastructure Upgrades Phase 1A was approved as follows:

Intention:

The University Museum wishes to proceed with the design and construction of Mechanical, Electrical, and Plumbing (MEP) upgrades at the University Museum to support gallery space, collections storage, conservation labs, administrative space, archives, and auditoriums. The original Museum is not air conditioned. Phase 1A of this project will provide a new underground mechanical and electrical equipment room in the Old Museum Courtyard, with tunnels connecting to the east and west wings. New HVAC equipment will be installed to service the Old Museum. A new electrical service substation will be provided and sized for
new and future HVAC equipment and all power and lighting circuits throughout Sharpe, Coxe, Rotunda, and Old Museum. (Phase 1B would extend the HVAC and electrical distribution into the Old Museum, excluding east wing, and provide electrical upgrades and new HVAC equipment and distribution for the Rotunda.) Phase 1A is estimated to cost $7.1 million and will be funded entirely by gifts.

**RESOLVED,** that the design and construction of the University Museum MEP Infrastructure Upgrades Phase 1A, estimated to cost $7.1 million, be and the same are hereby approved and that the Executive Vice President or other appropriate officers of the University be and they are hereby authorized to take such actions, execute such contracts, and incur such expenses and obligations—not, however, in excess of 110 percent of the estimated cost as presented to the Budget and Finance Committee—as may, in their judgement, be necessary or desirable to accomplish the purposes of this resolution.

12/8/00 – #3

*Action.*

4. A Resolution on a Revised Scope and Budget for the Tandem Building OEHRS Storage Renovation Project was approved as follows:

Intention:

In June 1999, the Trustees approved a $2.4 million project to renovate the Tandem Building to accommodate the need for radioactive material storage, laboratory, computational, administrative, and office spaces for the Office of Environmental Health and Radiation Safety (OEHRS). Subsequent to that approval, the University has determined that its chemical waste storage facility will need to be relocated to make way for the Life Sciences Quad. The University's analysis indicated that the Tandem Building would be well suited for this storage due to its location and structure, and that the co-location of radioactive and chemical waste materials will provide OEHRS with operational benefits.

Therefore, the University proposes that the scope of the Tandem project be revised to incorporate space for chemical waste storage. As a result of these changes, the estimated cost of the Tandem building renovations will increase by $400,000, bringing the total estimated project cost to $2.8 million. The increase covers additional A/E fees for space redesign and also covers the cost of code-mandated special building systems and finishes requisite for a modern chemical storage facility. This cost increase will be covered by an Internal Capital Project Loan to be repaid by the Provost’s Center.
RESOLVED, that the renovation of the Tandem Building for OEHRS storage, estimated to cost $400,000 more than the previously approved budget of $2.4 million, be and the same hereby is approved and that the Executive Vice President or other appropriate officers of the University be and they are hereby authorized to take such actions, execute such contracts, and incur such expenses and obligations—not, however, in excess of 110 percent 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.

12/8/00 - #4

Action........5. A Resolution Reconsidering and Authorizing the Strategic Purchase Alliance Including Purchase of Radiation Oncology, Radiology and Cardiology Equipment and Outsourcing of Service for Biomedical and Diagnostic Imaging Equipment was approved as follows:

Intention:

Based on recommendations, UPHS management has adjusted the capital expenditure requests associated with the strategic purchase alliance described below that was presented to the UPHS Trustee Board Executive Committee on October 13, 2000. These requests have been reduced from the original amount. The remaining requests are now either Fiscal Year (“FY”) 2001 capital budget-neutral or a first draw against the FY 2002 capital budget authorization.

UPHS representatives developed a request for proposal (“RFP”) for and received competitive responses from capital equipment vendors to enter into a strategic purchase alliance. The strategic purchase alliance has three components: an initial purchase of equipment, the outsourcing of service for biomedical and diagnostic imaging equipment, and a voluntary compliance acquisition formula for future purchases.

Under the first component of the strategic purchase alliance, UPHS will make an initial purchase of cardiology, radiology and radiation oncology equipment from a single, high quality, internationally-recognized vendor, instead of buying equipment on a “best of breed” basis from multiple vendors. Siemens Medical Systems, Inc. (“Siemens”) has offered UPHS significant discounts for the equipment included in the initial purchase, since UPHS is buying all of the equipment from a single vendor at one time.

Under the service component of the strategic purchase alliance, UPHS will enter into an 8-year agreement to outsource the service of its biomedical and diagnostic imaging equipment. Siemens has agreed to provide the same service currently
provided by UPHS as specified in service standards developed by UPHS at guaranteed savings. It has guaranteed an 18% savings from UPHS’ current annual cost to service its biomedical and diagnostic imaging equipment, which cost is estimated by UPHS to be approximately $10,866,000. Therefore, the outsourcing component for servicing the equipment will save UPHS at least $2,000,000 a year for 8 years (excluding minimal transition costs). The agreement between the parties will be based upon UPHS’ model outsourcing contract.

The last component of the strategic purchase alliance is an 8-year, voluntary compliance acquisition program for cardiology, radiology, and radiation oncology equipment. Under the program, UPHS will be able to buy, but not be required to buy, capital equipment from the selected vendor at favorable prices. The more UPHS purchases the better the prices the vendor will offer. It is anticipated that UPHS would receive prices that will be better than the prices UPHS would receive through negotiations on individual pieces of equipment. UPHS also has the option to expand the strategic alliance and voluntary compliance program to other services and supplies offered by Siemens.

To commemorate the relationship between the parties and the obligations and responsibilities of the parties with respect to the last component, Siemens and UPHS will negotiate an 8-year Strategic Purchase Alliance Agreement (the “Purchase Agreement”). Generally, under the Agreement, UPHS is not required to purchase anything from Siemens other than the initial bulk buy purchase; however, if UPHS purchases a majority of certain of its cardiology, radiation oncology, and radiology needs from Siemens, Siemens will offer UPHS preferred pricing. For example, if UPHS purchases 80 percent of its cardiology, radiation oncology, and radiology capital equipment needs from Siemens, Siemens will offer UPHS the lesser of discounts off list prices equal to the discounts offered in the initial purchase or the best price offered to any commercial customer.

UPHS management recommends the approval of incremental unbudgeted items and their related space renovation and fit-out costs as outlined below. This has been reduced by $2,228,000 from the $12,849,000 that was previously approved by the UPHS Trustee Executive Committee on October 13, 2000. The remaining $10,621,000 in project costs that is requested will be funded by a combination of reductions in the previously authorized FY 2001 capital budget, by utilizing FY 2001 capital contingencies or as a first draw against the FY 2002 capital budget authorization.
($ in thousands)

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<th>2001 Contingency or FY2002 Substitution</th>
<th>Total Budget</th>
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A portion of the capital cost will be funded out of the savings in the service outsourcing described above. Funding options, including cash from operations or capital leasing, are still being evaluated.

**RESOLVED,** that these specific capital expenditure requests, with an estimated project cost of $10,621,000, recommended by the University of Pennsylvania Budget and Finance Committee, be and the same is hereby approved, and the Health System CEO or other appropriate officers of the University be authorized to take such actions, execute such contracts and incur such expenses and obligations—not, however, in excess of 110 percent of the estimated cost of such items as presented to the Budget and Finance Committee—as may in their judgment be necessary or desirable to accomplish the purposes of the resolution.

12/8/00 – #5

*Action………6. A Resolution Authorizing the Purchase of the Business Assets of the Radiation Facilities Group’s Radiation Oncology Center at the Rancocas Valley Professional Arts Building in Willingboro, New Jersey by the University of Pennsylvania—Health Services Component—was approved as follows:*

**Intention:**

Robert A. Lustig, M.D. and Paul E. Wallner, D.O. are general partners in the Radiation Facilities Group (the “Seller”), a New Jersey general partnership. The Seller operates a radiation oncology center (the “Center”) at the Rancocas Valley Professional Arts Building located in Willingboro, New Jersey. Drs. Lustig and Wallner have been employed by the University of Pennsylvania Health System (“UPHS”) since 1998 with Dr. Wallner serving as the Vice Chair of the Radiation Oncology Department. Professional service revenues are billed under a contractual arrangement with the Center and retained by UPHS. In conjunction with their employment by UPHS, an informal right of first refusal to acquire the business assets of the Center was granted by the Seller to UPHS.
Management is recommending the purchase of the business assets of the Center for $1,800,000. The payback on the $2,000,000 investment (inclusive of $200,000 in renovation and equipment relocation costs) approximates 3 years. UPHS plans to pay $800,000 at closing and execute a Promissory Note for $1,000,000. The Note (currently projected to be at 5% interest per annum) will be paid in two installments on July 1, 2001 and July 1, 2002.

Management’s intention is to defer existing authorizations of capital budget items (i.e., substitution) or utilize existing capital budget contingencies to offset this new capital authorization. The UPHS Trustee Board Executive Committee has approved, and recommends that the University of Pennsylvania Trustees Budget and Finance Committee approve the proposed transaction.

**RESOLVED,** that the acquisition of the Center's assets by UPHS is hereby approved, subject to the completion of the definitive acquisition agreement and related legal documents, an independent valuation confirming the reasonableness of the purchase price, and the related financing, as described above.

**IT IS FURTHER RESOLVED,** that the Interim Chief Executive Officer of UPHS is hereby authorized to negotiate and execute such documents, under terms and conditions substantially similar to those described above, and to take such other action related thereto, that he deems necessary or appropriate to effectuate the intent of the foregoing resolution.

12/8/00 – #6

*Action*………7. A Resolution Authorizing Agreements With the University City Science Center and The School District of The City Of Philadelphia With Respect to the George Washington Carver High School for Engineering and Science was approved as follows:

Intention:

The University proposes to enter into a Memorandum of Understanding (the "MOU") with the University City Science Center ("Science Center") pursuant to which the Science Center will make available to the School District of Philadelphia (the "District") a parcel of land owned by the Science Center located between 38th and 39th Streets south of Market Street (the "Site") for development by the District of the George Washington Carver High School for Engineering and Science (the "Carver School"). The Carver School is an outstanding magnet high school that enrolls college-bound students who are gifted in science and technology, and it will move to the Site from its current location in North Philadelphia. The District plans to create a new state-of-the-art facility for Carver
on the Site; an early estimate of construction costs to be paid with District funds is $35 million.

The University agreed to secure the Site for the Carver School as part of the unique partnership the University formed with the District under which the District will also pay some $22 million to build the new Penn-assisted preK-8 school.

Pursuant to the MOU and an agreement to be entered into with the District, the Science Center will grant an irrevocable option to purchase the Site for the appraised fair market value of $4.25 million. The District will exercise this option at a subsequent date using District funds. In consideration of the Science Center's commitment to grant the option to purchase, the University has agreed, inter alia, to do the following:

Approve a 15-year lease for WXPN of 16,200 square feet in a Science Center facility known as the Crescent Building that will be constructed by a joint venture of the Science Center and Townsend Capital LLC at 38th and Market Streets (the "WXPN Lease"). WXPN has substantially outgrown its present studio space on Spruce Street and, over the past year, has been negotiating this move to the Science Center complex. The Crescent Building lease terms will be favorable for WXPN and well within the radio station's budget, including anticipated proceeds from a capital campaign.

Provide financial assistance to the Science Center in the construction of a 640 space garage (the "Garage") to be owned by the Science Center, located between 37th and 38th Streets north of Market Street, and financed with a $13 million loan from an unrelated lending source. The Garage is needed to accommodate a serious overflow of Science Center parkers and other parkers on Market Street. The University will assume the costs of debt service and operating expenses net of revenues (the "Net Costs") over the 20-year term of the loan. The net present value of the Net Costs, discounted at 9 percent, is approximately $2.6 million; the average annual cost to the University is projected to be $280,000. The cumulative Net Costs, together with interest at the rate of 4 percent per annum, will be repaid to the University by the Science Center at the end of loan term, from refinancing proceeds or other Science Center assets then available. During the loan term, if the cumulative Net Costs exceed certain benchmarks, the University will receive the right to control parking spaces and/or to assume management of the Garage.

In order to assist the District in curriculum development, innovative programs in science and technology instruction, professional development for teachers and other special costs at the Carver School, the University also will contribute approximately $1.5 million to the School District's operating budget.

The University's objective in entering into the MOU and related agreements is to help provide public education of the highest possible standard in University City.
in order to enhance the quality of life for all community residents, including University faculty and staff. A high quality of life in University City will enhance community stability and advance the University's mission as a world class academic institution.

**RESOLVED**, that the University is hereby authorized to enter into the MOU and the agreements described in or inferable from the MOU, including the WXPN Lease and the Garage Agreements.

**RESOLVED**, that the Executive Vice President or Vice President for Finance is hereby authorized and directed to execute and deliver such documents and agreements as they deem necessary or appropriate to implement the purposes of this Resolution. Any actions taken by such officers in furtherance of the purpose of this Resolution are hereby ratified and affirmed.

12/8/00 – #7

C. Compensation Committee—Mr. James Riepe

Mr. Riepe briefly reviewed the committee’s charge of oversight of the newly-adopted Conflict of Interest Policy, as well as oversight of the overall compensation deliberations for the University, specifically for Penn senior officers. The committee reviewed the selection process for a third party consultant who will report to the Compensation Committees of both the University and the Health System. General Counsel brought to the committee’s attention potential conflict of interest cases.

IV. Overseer and Other Boards—Mr. James Riepe

Mr. Riepe presented the following resolution for approval by the Trustees:

*Action.............1. A Resolution on the Appointment of William L. Mack to the University of Pennsylvania Health System Trustee Board and to the Health System Trustee Board Executive Committee was approved:

**RESOLVED**, that William L. Mack be appointed to the University of Pennsylvania Health System Trustee Board and to the Health System Trustee Board Executive Committee for a three-year term, effective December 8, 2000.

William L. Mack (W'61) is a Founder and Managing Partner of Apollo Real Estate Advisors, LP, and President and CEO of The Mack Organization, a national owner, investor, and developer of warehouse facilities. He is also Director and Chairman of the Executive Committee of the Board of Directors of Mack-Cali Realty Corporation, a publicly-traded REIT that owns and operates a portfolio of Class A office/flex buildings located throughout the United States.
Mr. Mack is the Chairman of the Metropolis Realty Trust, Inc., as well as a Director of The Bear Stearns Companies, Inc., Vail Resorts, Inc., and Koger Equity, Inc. He is also a Board Member of the Metropolitan Regional Advisory Board of the Chase Manhattan Bank, a Trustee of the North Shore-Long Island Jewish Health System, and a past Director of the New York State Urban Development Corporation.

As a trustee at Penn, Mr. Mack is Chairman of the Trustees' Facilities and Campus Planning Committee and a member of the Executive, Development, and Neighborhood Initiatives Committees. Mr. Mack is also Vice Chair of the Wharton Real Estate Center Advisory Board and a member of the Wharton Board of Overseers.

There being no further business before the board, the meeting was adjourned at 3:30 p.m.

Respectfully submitted,

Leslie Laird Kruhly
Secretary of the University