A meeting of the Executive Committee of the Trustees of the University of Pennsylvania was convened at 2:15 p.m., Tuesday, September 23, 1997 in the Club Room of the Faculty Club. Trustees present were Susan Catherwood (via proxy), Elsie Sterling Howard (via proxy), Natalie I. Koether (via phone), Paul Miller (ex officio), John Neff, Russell Palmer, James Riepe, Judith Rodin (ex officio), Myles Tanenbaum, and P. Roy Vagelos (chair). Others attending included Michael Burton, Stanley Chodorow, John A. Fry, Karen Gaines, Constance C. Goodman, Eric Halpern, Jason E. Horger, Lucy Kerman, Barbara J. Lowery, Randi Rothberg, Duncan Van Dusen, and Rick N. Whitfield.

I. Call to Order - Dr. Vagelos

A. The minutes of the meeting of May 2, 1997 were approved as distributed.

II. President's Report - Dr. Rodin

A. Comments

President Rodin reported that the University's partnership with the National Constitution Center continues to bear fruit. On Monday, September 15, the president and Mayor Edward G. Rendell traveled to the National Press Club in Washington, D.C. to announce the results of the Center's national poll on Americans' knowledge of the U.S. Constitution. The poll, which received considerable media coverage, reflected a troubling degree of civic complacency; the president noted that the poll suggests that the need for an educational resource such as the Center has never been greater. President Rodin commented that the National Constitution Center is a wonderful, continued opportunity for Penn as the Center's academic partner to provide the intellectual leadership and educational mission for the Center's activities.

The president provided a brief update on the U.C. Brite initiative, the lighting program established last year to enhance neighborhood lighting west of campus. President Rodin was pleased to announce that since its inception, U.C. Brite has installed over 1,300 fixtures in the project area. The president also noted that she recently attended a block party near the 4800 block of Baltimore Avenue, at which neighbors and residents were most grateful for and supportive of the program and its effects. President Rodin commented on a second Penn initiative: the University City District. Only months old, the president noted that Penn's partnership with area institutions is already paying dividends as it has received excellent press coverage, welfare recipients are being hired to work, and vacuums are cruising through University City cleaning sidewalks and lots. President Rodin stated that Penn is committed to
these two initiatives and others to make sure that the area remains a vibrant, safe, clean, and exciting place to be.

President Rodin commented that Penn has been making an effort over the past several months to improve the Penn tradition of street vending. Progress has been made toward creating a more rational strategy for where vendors are situated at Penn through a variety of off-street vendor courts; such courts are intended to be more attractive and to provide broader opportunities for the University community to access the vendors' food. The president remarked that updated information about the food plazas and the proposed ordinance that will go before City Council is available on the Web at www.upenn.edu.foodplaza.

President Rodin reported that progress continues apace on the Sansom Common project, a key strategy to revitalize the retail, commercial, and residential life around campus.

Action........B. A Resolution on the Appointment of Kathryn J. Engebretson as Vice President for Finance was approved as follows:

RESOLVED, that Kathryn J. Engebretson be appointed Vice President for Finance, effective August 25, 1997.

Dr. Kathryn J. Engebretson most recently had been a principal at Miller Anderson & Sherrerd in West Conshohocken. She has extensive experience in the areas of investment banking, investment management, and treasury operations. Dr. Engebretson received both a Ph.D. and a M.B.A. from the Wharton School of the University of Pennsylvania, a M.S. from the University of Minnesota, and a B.A. from Luther College in Iowa.

C. Academic Report - Dr. Chodorow

1. Comments

Provost Chodorow reported that Dr. Daniel Janzen, Professor of Biology, will travel to Japan to receive one of three Kyoto Awards, Japan's most prestigious award for lifetime achievement; the award carries a financial prize of approximately $430,000. Dr. Janzen was chosen for his "contributions to the diverse fields of ecology, microbiology, biochemistry, zoology, and botany." He is known by many as the world's foremost pioneer in tropical biology.

The provost also announced that Dr. Daniel Kessler, Assistant Professor of Cell and Developmental Biology, has been named as a Pew Scholar in the Biomedical Sciences. The award carries a $200,000 prize to help support Professor Kessler's research on "Embryonic Development of the Vertebrate Digestive Tract."

The Perelman Quadrangle project continues on schedule, the provost reported. Renovations to Irvine Auditorium began in June. In particular, Provost Chodorow noted that Penn is taking great steps to preserve and improve the Curtis Organ. The University has contracted with the original builder of the
Organ to remove, clean, tune, and replace all of the 10,000-plus pipes, as well as refurbish the chambers into which the pipes are fitted. Irvine Auditorium is scheduled to reopen at the end of 1999. The provost announced that Houston and Williams Halls will be closed at the end of the current academic year, while Logan Hall will reopen this Christmas, and the College of Arts & Sciences will move in at that time. By the end of this academic year, four departments including Religious Studies, Classical Studies, Philosophy, and the History and Sociology of Science, as well as the Women's Studies program, will all have moved back into Logan Hall. The renovated Logan Hall will feature, among other things, fully-technological classrooms, a multi-purpose room, a student art gallery, a stunning entryway, and a large high-tech classroom. Provost Chodorow explained that an additional feature of the Perelman Quad project is to consolidate administrative functions of the departments housed in the Perelman project buildings. By unifying the administration, Penn will make considerable savings, quality of departmental administration will improve, and space in Williams Hall will be reconfigured and reassigned to those departments that need it most.

Provost Chodorow reported that the 21st Century Project opened a pilot program in foreign languages titled "Foreign Languages Across the Curriculum" (FLAC). The program, which conducts the courses in the foreign language, introduced four new courses for the Fall semester: Spanish history, advanced business (taught in Russian), contemporary French politics, and French history. Five or six courses will be offered in the Spring.

**Action**

2. **A Resolution on Faculty Appointments and Promotions** printed at pp. 2-30 of the meeting book was approved.

Mr. Riepe commented that he was extremely pleased to see that many of the tenure recommendations highlighted teaching skills and the ability and willingness to interact meaningfully with students. Provost Chodorow noted that the administration is paying particular attention to teaching skills in the Provost's Staff Conferences, which has a significant effect on the departments and the schools. President Rodin stated that the provost deserves much of the credit for leading the charge to focus more scrutiny on the faculty's teaching ability. Mr. Neff remarked that when he taught half a course at Wharton, he was evaluated by the students on his teaching success; he added that evaluations of professors at all levels was a good step.

**D. Financial Report - Mr. Fry**

The financial report, which is unaudited and before consolidation and the elimination of inter-institutional activity, highlights the University's financial performance for the twelve months ended June 30, 1997, in accordance with generally accepted accounting principles, and adjusts the results of operations and budgeting principles of the University. The report also presents operating results for FY 1997 for the Health System-Health Services Component. The University had an increase in unrestricted net assets of $44.5 million from operating activities for the fiscal year, and when combined with non-operating revenue--primarily net gain on investments of $66.3 million and transfers from the Health System of $56 million--the University saw an overall increase in net assets of $191 million for the year. After adjusting actuals to the principles of the University's budgeting process for the twelve months, the overall unrestricted performance for year-end was a surplus of $3 million, which was after a
net transfer of $3.5 million to designated funds. All schools and centers with the exception of SAS, the Annenberg Center, and the Institute for Contemporary Art, were in balance after transfers to or from designated funds.

Regarding the Health System, for the FY ended June 30, 1997, the Health Services Component had a gain from operations of $2.9 million after non-operating revenue and other extraordinary items, including transfers from reserves, the Health Services Component had an overall excess of revenue over expenses of $67 million.

E. Health System Report - Mr. Tanenbaum

Reporting on behalf of Dr. William N. Kelley, Mr. Tanenbaum announced the appointment of Dr. Robert Martin as Executive Director of Clinical Care Associates (CCA). Dr. Martin holds a Ph.D. and an M.A. from Southern Methodist University and was most recently President and Treasurer of the Board of Governors of the Mayo Clinic in Scottsdale, AZ. Mr. Tanenbaum also announced the appointment of Mr. Garry Scheib as Executive Director of Network Development for New Jersey.

Mr. Tanenbaum reported that, for the first time, the Hospital of the University of Pennsylvania (HUP) was ranked by U.S. News and World Report among the top 16 hospitals in the country--the "Honor Roll." HUP was ranked 14th of the 7,000 hospitals included in the survey. He added that it is a great honor to be considered among the best of the nation's hospitals, and in particular, the highest-ranked hospital in Pennsylvania, New Jersey, New York, and Delaware.

Finally, Mr. Tanenbaum announced that the Phoenixville Hospital merger has been completed, and the Pennsylvania Hospital merger is awaiting the approval of the Deputy Attorney General and the Orphans' Court.

III. Trustee Committee Reports

Before moving on to other committee reports, Dr. Vagelos noted that the Trustees' Internationalization Committee will no longer function as an independent standing committee, as its charge will be folded into that of the Academic Policy Committee. Dr. Vagelos extended his gratitude to Mr. Palmer for his outstanding leadership of the Internationalization Committee and for the contributions of the Committee to the University.

Dr. Vagelos also announced that the Trustees have formed the Committee on Neighborhood Initiatives, a new standing committee focused on the University community in West Philadelphia. He noted that the initiatives in West Philadelphia begun by President Rodin and the Trustees are long-term commitments, as is the formation of this standing Trustee committee to be chaired by the Honorable Gilbert Casellas. Dr. Vagelos read aloud the charge of the Committee on Neighborhood Initiatives, which is as follows:

The Committee on Neighborhood Initiatives supports the University's efforts to promote development of its West Philadelphia community in partnership with neighborhood residents,
institutions and community groups. Among other things, it will specifically support the efforts for
a) the development of excellent local public schools, high quality residential opportunities and
vibrant retail shopping areas and b) the creation of clean, safe, attractive streetscapes and the
creation of jobs through continuing economic development.

A. **Budget and Finance - Dr. Vagelos**

*Action*........1. A Resolution on the Amended Operating Budget for the University of
Pennsylvania Health System - Health Services Component for Fiscal Year 1998, Reflecting the July 1,
1997 Merger of Phoenixville Hospital was approved as follows:

Intention:

The Trustee Budget and Finance Committee has reviewed the amended Operating
Budget for the University of Pennsylvania Health System - Health Services Component for
Fiscal Year 1998, reflecting the July 1, 1997 merger of Phoenixville Hospital, and recommends
its approval. This amended Operating Budget was previously approved by the Health System
Trustee Board Executive Committee.

RESOLVED, that the amended Operating Budget for the University of Pennsylvania Health
System - Health Services Component for Fiscal Year 1998, reflecting the July 1, 1997 merger
of Phoenixville Hospital, recommended by the Trustee Budget and Finance Committee, be and
the same hereby is approved.

*Action*........2. A Resolution on the Amended Capital Budget for the University of Pennsylvania
Health System - Health Services Component for Fiscal Year 1998, Reflecting the July 1, 1997 Merger
of Phoenixville Hospital was approved as follows:

Intention:

The Trustee Budget and Finance Committee has reviewed the amended Capital Budget for the
University of Pennsylvania Health System - Health Services Component for Fiscal Year 1998,
reflecting the July 1, 1997 merger of Phoenixville Hospital, and recommends its approval. The
amended Fiscal Year 1998 Capital Budget Authorization consists of the following:

- Previously Approved Health Services Capital Budget $99,914,000
- Phoenixville Hospital Capital Budget $2,705,000
- Amended Health Services Capital Budget $102,619,000
This amended Capital Budget was previously approved by the Health System Trustee Board Executive Committee with implementation dependent on Health System’s leadership’s assessment of the level of achievement realized against the operating performance objectives incorporated in the Fiscal Year 1998 Operating Budget.

RESOLVED, that the amended Capital Budget for the University of Pennsylvania Health System - Health Services Component for Fiscal Year 1998, reflecting the July 1, 1997 merger of Phoenixville Hospital, recommended by the Trustee Budget and Finance Committee, 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, in excess of 110% 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.

Action........3. A Resolution on the Sale of Lot 17, Block 37, Barnegat Light Borough, Ocean County, New Jersey was approved as follows:

Intention:

The University, through a series of gift deeds, is the owner of a 5.6% ownership interest in Lot 17, Block 37, Barnegat Light Borough, Ocean County, New Jersey (the "Property"). The Property consists of approximately 0.2 acres of vacant beachfront ground. The majority interest holders in the Property, Orville and Natalie Horwitz, have received an offer to purchase the Property for $380,000 from Clifford E. Haines. The University's portion of the proceeds, approximately $19,000, will benefit several departments in the School of Medicine.

RESOLVED, that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to proceed with the sale and conveyance of the Property at the price specified above, and to proceed with the execution and delivery of a Deed and all necessary affidavits, and any other documents required in connection with such sale and conveyance and that any actions heretofore taken by such officers in furtherance of the purposes of this resolution are hereby ratified and affirmed.

B. Investment Report - Mr. Neff

Mr. Neff noted that the market value of the Associated Investments Fund (AIF) is up to $1.9 billion, and the estimated value of the total endowment is $2.6 billion, a "heady advance" when compared to the endowment's value eighteen years ago. He observed that Penn is a "bit on the light side" in domestic equity securities at 40%; eighteen years ago, domestic equities comprised 58% of the
portfolio. Mr. Neff commented that the Investment Board would be meeting after the Executive Committee meeting, and he suggested that the Board may want to invest a portion of its 8% cash position in domestic equities. Mr. Neff remarked that the high yield side was 10% of the portfolio, versus only 18% for fixed income; eighteen years ago, fixed income represented 38%. Real estate holdings are at 7%. Mr. Neff stated that over the past twelve months, the Investment Board has allocated much of the endowment to different advisors, though he is still responsible for managing approximately $100 million. He drew attention to Penn's strong performance as the AIF is up 15.9% for the calendar year through August 31, 1997 versus the composite index return of 14% which includes international and other areas in which Penn is invested. The University's Equity Fund returned 19.3%, not quite as strong as the S&P at 22.9%. Finally, Mr. Neff noted the Fixed Income Fund gained 6.3%, representative of that type of return; the high yield, by contrast, was nearly double the return at 12.2%.

IV. Overseer and Other Boards

Action.........A. A Resolution Approving the Appointment of the Initial Board of Trustees of Phoenixville Hospital of the University of Pennsylvania Health System was approved as follows:

Intent:

In connection with the approval of the merger of Phoenixville Hospital into Phoenixville Hospital of the University of Pennsylvania Health System ("Phoenixville"), the University of Pennsylvania Trustee Board authorized the Chief Executive Officer of the University of Pennsylvania Medical Center and Health System/Dean of the School of Medicine, ("CEO/DEAN") to execute the definitive merger agreement and take such action as may be necessary to effectuate such merger, with such changes as deemed advisable and with the concurrence of the President of the University. Pursuant to this authority, on behalf of the Trustees of the University of Pennsylvania, as sole corporate member, the initial Board of Trustees of Phoenixville was appointed to serve in accordance with the Amended and Restated Corporate Bylaws of Phoenixville, such Board being comprised of a UPHS Trustee Class (voting), and a Community Advisory Trustee Class (non-voting), and also the Chair of the Board of Trustees was appointed. Since this is the appointment of the initial Phoenixville Trustee Board and Chair, the Executive Committee of the Health System Trustee Board wishes to obtain, and hereby recommends, approval of the appointed trustees and Chair of the Phoenixville Board of Trustees.

RESOLVED, that the membership of the Phoenixville Board of Trustees initially consist of the individuals listed below to serve in the trustee class specified above their names:

The UPHS Trustee Class (Voting):

Susan W. Catherwood
Thomas E. Beeman
Michael H. Bleshman, M.D.
William N. Kelley, M.D. (ex-officio)
John P. Wynne, Jr.

The Community Advisory Trustee Class (Non-Voting):

John J. Sickler        David Frees, III
George Kis            Richard Stevens
Albert Zezulinski     Richard S. Downs
Kenneth M. Krenicky

FURTHER RESOLVED, that the appointment of Susan W. Catherwood to serve as the Chair of the Phoenixville Board of Trustees is hereby approved.

Action........B. A Resolution on Appointment of Pemberton Hutchinson to the Health System Trustee Board and to the Board of Overseers of the School of Medicine was approved as follows:

RESOLVED, that Pemberton Hutchinson be appointed to the Health System Trustee Board and to the Board of Overseers of the School of Medicine for a three year term, effective September 23, 1997.

Action........C. A Resolution on Appointment of Franklyn L. Rodgers as Chair of the Board of Trustees of the University of Pennsylvania Press was approved as follows:

RESOLVED, that Franklyn L. Rodgers be appointed as Chair of the Board of Trustees of the University of Pennsylvania Press for a three-year term, effective September 23, 1997.

Action........D. A Resolution on Appointment of Martin Meyerson as Chair Emeritus of the Board of Trustees of the University of Pennsylvania Press was approved as follows:

RESOLVED, that Martin Meyerson be appointed as Chair Emeritus of the Board of Trustees of the University of Pennsylvania Press, effective September 23, 1997.

Action........E. A Resolution on Appointment of William L. Lepley to the Board of Overseers of the Graduate School of Education was approved as follows:

RESOLVED, that Dr. William L. Lepley be appointed to the Board of Overseers of the Graduate School of Education for a three-year term, effective September 23, 1997.
Action........F. A Resolution on Appointments of Anne F. Thorington, Herbert I. Moelis, and L. Thomas Gemmill, Jr. to the Board of Overseers of the School of Veterinary Medicine was approved as follows:

RESOLVED that Mrs. Anne F. Thorington, Mr. Herbert I. Moelis, and Dr. L. Thomas Gemmill, Jr. be appointed to the Board of Overseers of the School of Veterinary Medicine for three-year terms, effective September 23, 1997.

Action........G. A Resolution on Appointments of Richard L. Carrion, James S. Tisch, Robert B. Goergen, and Manuel V. Pangilinan to the Board of Overseers of the Wharton School was approved as follows:

RESOLVED, that Mr. Richard L. Carrion, Mr. James S. Tisch, Mr. Robert B. Goergen, and Mr. Manuel V. Pangilinan be appointed to the Board of Overseers of the Wharton School for three-year terms, effective September 23, 1997.

Action........H. A Resolution on Appointment of Stanley Bergman and Joseph Gian-Grasso to the Board of Overseers of the School of Dental Medicine was approved as follows:

RESOLVED, that Mr. Stanley Bergman and Dr. Joseph Gian-Grasso be appointed to the Board of Overseers of the School of Dental Medicine for three-year terms, effective September 23, 1997.

Action........I. A Resolution on Appointments of Henry P. Baer, Geraldine S. Paier, and Richard R. Howard to the Board of Overseers of School of Nursing was approved as follows:

RESOLVED, that Mr. Henry P. Baer, Dr. Geraldine S. Paier, and Richard R. Howard be appointed to the Board of Overseers of the School of Nursing for three-year terms, effective September 23, 1997.

Action........J. A Resolution on Appointment of Ian J. Berg to the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology was approved as follows:

RESOLVED, that Mr. Ian J. Berg be appointed to the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology for a three-year term, effective September 23, 1997.
There being no further business to come before the meeting, it was adjourned at 2:40 p.m.

Respectfully submitted,

Barbara J. Lowery
Interim Secretary of the University