

**Minutes of**  
**Stated Meeting of the**  
**Trustees of the University of Pennsylvania**  
**November 7, 1997**

A stated meeting of the Trustees of the University of Pennsylvania was convened at 2:10 p.m. on Friday, November 7, 1997 in the North Lounge of McClelland Hall, the Quadrangle. Trustees present were Arlin Adams, Lynda Barness, Judith Roth Berkowitz, Richard Brown, Christopher Browne, Gilbert Casellas, Susan W. Catherwood, Richard Censits, Gloria T. Chisum, L. John Clark, Stanley Cohen, Carol Einiger, Robert Fox, Mary Ann Greenawalt, John Hover II, Elsie Sterling Howard, Jon Huntsman, Jr., Edward Kane, Paul Kelly, Edwin Krawitz, Thomas Lang, Carolyn Lynch, William Mack, Jerry Magnin, A. Bruce Mainwaring, Arthur Makadon, Paul F. Miller, Jr., Andrea Mitchell, John Neff, Russell Palmer, Egbert Perry, Pamela Petre Reis, Judith Rodin (ex officio), Adele Schaeffer, William Schawbel, Leonard Shapiro, Alvin V. Shoemaker, Myles H. Tanenbaum, P. Roy Vagelos (chair), Lawrence Weinbach, Raymond Welsh, Charles K. Williams II, and Charles Wolf.

Also present were Jennifer Baldino, Jim Bean, Michael Burton, Barbara Cassel, Stanley Chodorow, Virginia B. Clark, Terry Conn, Peter C. Erichsen, John A. Fry, Karen Gaines, John Gillespie, Rev. William Christian Gipson, Constance C. Goodman, Shelley Z. Green, Sheldon Hackney, Jason Horger, Eugene Huang, Kate Judge, William N. Kelley, Norma Lang, Barbara J. Lowery, Paul Lukasiak, Maureen Rush, Jay Saddington, Stephen D. Schutt, Valarie Swain-Cade McCoullum, Duncan W. Van Dusen, Francine Walker, Marian Ware, and Kenneth J. Wildes, Jr..

**I. Call to Order - Dr. Vagelos**

- A. The Rev. William Christian Gipson offered the invocation for the meeting.
- B. The minutes of the meeting of June 20, 1997 were approved as distributed.

**II. Chair's Report - Dr. Vagelos**

**A. Comments**

Dr. Vagelos welcomed new trustees Dr. Stanley Cohen, Mr. Paul Kelly, Ms. Carolyn Lynch, Dr. Charles K. Williams II, Mr. William Mack, and Mr. Lawrence Weinbach to their first Stated Meeting of the Trustees; Dr. Vagelos noted that new trustees Mrs. Madlyn Abramson and Mr. Henry Silverman were not present but had been at earlier portions of the Trustees' meetings.

The chairman reported that he had announced at the September meeting of the Executive Committee that the Trustees' Internationalization Committee would no longer function as an independent standing committee; its charge was folded into that of the Academic Policy

Committee. Dr. Vagelos thanked Mr. Russell Palmer for his leadership of the Internationalization Committee and the Committee for its fine work. Dr. Vagelos also announced at the September Executive Committee meeting that the Trustees had formed a new standing committee: the Committee on Neighborhood Initiatives. Dr. Vagelos noted that the chair of the new committee, Mr. Gilbert F. Casellas, would report later on the Committee and its first meeting.

*Action*.....1. A Resolution of Appreciation for Michael S. Brown was approved as follows:

RESOLVED, that the President and Trustees of the University of Pennsylvania acknowledge with gratitude and affection the service of Michael S. Brown (C'62, M'66, H'86) as a Trustee of the University from 1987 to 1997. His scholarly insights, high aspirations, and dedication to the well-being of the University have contributed profoundly to the vitality of this great institution. We look forward to his continued guidance, counsel, and friendship.

The Trustees accorded Dr. Brown a warm round of applause for his years of service to the University. Dr. Vagelos noted that Mr. Cawthorn was not in attendance at the meeting and read the resolution of appreciation.

*Action*.....2. A Resolution of Appreciation for Robert E. Cawthorn was approved as follows:

RESOLVED, that the President and Trustees of the University of Pennsylvania acknowledge with gratitude and affection the service of Robert E. Cawthorn as a Trustee of the University from 1992 to 1997. His thoughtful leadership, commitment, and dedication to both the Health System and the University have contributed greatly to the vitality of this great institution. We look forward to his continued guidance, counsel, and friendship.

*Action*.....3. A Memorial Resolution for the Honorable John H. Ware III was approved as follows:

John H. Ware III (W'30, H'78), served and inspired his fellows in myriad ways, both at the University of Pennsylvania and within the larger community.

As an undergraduate, he participated in an extraordinary number of activities, including Mask & Wig, Sphinx, the *Daily Pennsylvanian*, the Glee Club, and soccer.

Putting his Wharton School training to good use, he founded Penn Fuel Gas Co. and presided over it for 45 years. He also operated a string of weekly newspapers and later became chairman of the board of American Water Works Co.

Active in Republican politics, he began his political career as Burgess of Oxford

and went on to become a member of the Pennsylvania Senate and then of the U.S. Congress, where he represented the Ninth Congressional District. He was also a member of the Republican National Finance Committee and chairman of the state GOP Finance Committee.

Throughout his life, he provided leadership for many more civic, cultural, and professional associations than it is possible to mention here. A true champion of education, he was a trustee of Lincoln and Widener Universities, Ursinus College, the Pennsylvania College of Optometry, and West Nottingham Academy.

At his alma mater, his wisdom, energy, and generosity were felt far and wide. Elected a trustee of the University in 1965, he became a life trustee in 1974 and a member of the Board of Overseers of the Nursing School in 1979. He served as president of the Class of '30, chairman of the Class of '30 Reunion Gifts Campaign, and chairman of Alumni Annual Giving. Personally and through the Oxford Foundation and the Ware Foundation, he supported areas across the University, including Ware College House, the Van Pelt Library, the Diabetes Clinical Research Fund, and the Sweeten Alumni Center.

RESOLVED, that the Trustees of the University of Pennsylvania, express their deep sorrow over the death of their colleague and long time friend, and in recording this official minute on behalf of the University community past, present, and future, share their affection and enduring gratitude with the family of John H. Ware III for his wise counsel over seven decades.

Following a warm round of applause, Dr. Vagelos presented the framed memorial resolution to Mrs. Marian Ware, the widow of the Honorable John H. Ware III, who was in attendance.

## **B. Nominating Committee Report**

*Action*.....1. A Resolution on the Suspension of Section 5.2 of the Statutes was approved as follows:

Intention:

Section 5.2 of the University's Statutes provides that the members of the Executive Committee shall be nominated by the Chair of the Trustees and elected annually by a majority of the Trustees then in office. The annual meeting to elect the Executive Committee is held each spring. The Trustees desire to suspend Section 5.2 of the Statutes to permit the election of two new trustees to the Executive Committee, effective at this November 7, 1997 meeting.

RESOLVED, Section 5.2 of the Statutes is hereby suspended to permit the election of two trustees to the Executive Committee, effective at this November 7, 1997 meeting.

*Action*.....2. A Resolution on Election of Gilbert F. Casellas and Arnold J. Levine to the Executive Committee was approved as follows:

RESOLVED, that Gilbert F. Casellas and Arnold J. Levine be elected members of the Executive Committee, effective November 7, 1997, to serve on an interim basis, until such time as the Executive Committee for 1998-99 is elected.

*Action*.....3. A Resolution on Election of Paul F. Miller, Jr. as an Emeritus Trustee was approved as follows:

RESOLVED, that Paul F. Miller, Jr. be elected an Emeritus Trustee, effective November 7, 1997.

The Trustees accorded Mr. Miller an enthusiastic round of applause.

*Action*.....4. A Resolution on Election of P. Roy Vagelos as a Charter Trustee was presented and moved by Vice Chairman Susan Catherwood. It was approved as follows:

RESOLVED, that P. Roy Vagelos be elected a Charter Trustee, effective November 7, 1997.

*Action*.....5. A Resolution on Election of Madlyn K. Abramson as a Term Trustee was approved as follows:

RESOLVED, that Madlyn K. Abramson be elected a Term Trustee for a five-year term, effective November 7, 1997.

*Action*.....6. A Resolution on Election of William L. Mack as a Term Trustee was approved as follows:

RESOLVED, that William L. Mack be elected a Term Trustee for a five-year term, effective November 7, 1997.

*Action*.....7. A Resolution on Election of Henry R. Silverman as a Term Trustee was approved as follows:

RESOLVED, that Henry R. Silverman be elected a Term Trustee for a five-year term, effective November 7, 1997.

*Action*..... 8. A Resolution on Election of Lawrence A. Weinbach as a Term Trustee was approved as follows:

RESOLVED, that Lawrence A. Weinbach be elected a Term Trustee for a five-year term, effective November 7, 1997.

### **III. President's Report - Dr. Rodin**

#### **A. Comments**

President Rodin added her voice and those of her two predecessor presidents in thanking Mr. Miller for his support and his importance both to the University and to them personally.

The president noted that the past two days have been filled with accomplishments, and she reported to the trustees on various initiatives since the June Trustees' meeting.

Several world figures had visited the Penn campus recently, including Mr. Jiang Zemin, the President of the People's Republic of China, while on a state visit to the U.S. One week earlier, former Secretary of State Henry Kissinger spoke to the Wharton School Board of Overseers about current U.S. relations with China and the implications of Jiang's visit. That same week, First Lady Hillary Rodham Clinton came to the University as part of the 10th anniversary celebration of the Trustees' Council of Penn Women and spoke to an enthralled Zellerbach Theater audience.

Earlier in the day, the Trustees' Committee on Budget and Finance approved the University's plan to engage Trammell Crow for the management of University facilities if a contract is concluded. The president remarked that this engagement was not an easy decision to make and noted her extreme confidence in the fact that it is in the long-term best interest of the University. She stated that she looks forward--as does John Fry--to working with all members of the University community in implementing the decision, to making the transition to Trammell Crow's management of University facilities as smooth as possible, and to assuring that the effected employees are treated fairly.

President Rodin commented that everyone has been deeply disturbed by the number of recent, high profile tragedies resulting from alcohol abuse--and more specifically, binge drinking--on American campuses. Consequently, she initiated a campus-wide dialogue to highlight the importance of this issue to the Penn community; the president stated that she has been pleased with the level of discourse to date. She added that no one has a corner on wisdom concerning this matter, and solutions to the problem of alcohol abuse cannot be dictated by the administration alone. All members of our University community, including students, faculty, staff, and alumni, need to continue to add their voices and expertise to the discussion. President Rodin remarked that she has great hope for a positive outcome and will keep everyone apprised of shared progress on this front.

The president announced that the opening ceremony for the Roy and Diane Vagelos Laboratories of the Institute for Advance Science and Technology (IAST) will be held on November 10, 1997, with two world-class scientific symposia. The IAST will provide rich opportunities for multidisciplinary research and position the University for excellence in the sciences for years to come. President Rodin noted that the individual most responsible for the extraordinary IAST initiative and the driving force behind Penn's renewed effort to be a premier institution in the sciences is Chairman P. Roy Vagelos; the president thanked Dr. Vagelos and Mrs. Diana Vagelos for their generosity and vision that will allow Penn to be the kind of institution that once produced the Michael Browns and the Stanley Pruisiners of the world. President Rodin and the trustees accorded the Vageloses a hearty and warm round of applause.

*Action*.....1. After introducing Mr. Erichsen and describing his accomplishments and background, the president presented a Resolution on the Appointment of Peter C. Erichsen as Vice

President and General Counsel of the University of Pennsylvania and the University of Pennsylvania Health System, which was approved as follows:

RESOLVED, that Peter C. Erichsen be appointed Vice President and General Counsel of the University of Pennsylvania and the University of Pennsylvania Health System, effective December 8, 1997.

The president then asked Provost Chodorow for his report.

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

The provost announced several faculty honors and awards. Dr. Nancy Bonini, assistant professor of biology, was recently awarded a five-year David and Lucille Packard Fellowship in the amount of \$500,000. Dr. Richard Estes, professor of social work, has been awarded the International Rhoda G. Sarnat Prize of the National Association of Social Workers; the Sarnat Prize for advancing the image of social work nationally and internationally carries a cash award, which Dr. Estes will use to support his continuing work with the Montréal International Bureau of Child Rights. SEAS Assistant Dean Cora Ingram received the 1997 U.S. Presidential Award for Excellence in Science, Mathematics, and Engineering Mentoring; she is the assistant dean for minority programs and director of academic support programs in SEAS, and as such, Ms. Ingram has worked for many years to increase minority participation in Penn engineering programs. Dr. Patrick Storey of the medical school was named an honored doctor of the faculty of the St. Petersburg Pavlov State Medical University as part of the University's 100th Anniversary celebration; Dr. Storey's citation for "Outstanding Services in Educational Activities" recognizes his work on a Penn-Pavlov affiliation that is now starting its second five-year phase. Penn Trustee Vice Chairman Susan Catherwood was the fifth recipient of the University Museum's Marion Hangell-Godfried Boyer Medal; the Hangell award, first presented in 1987 at the Museum's Centennial, was established to honor distinguished service to the Museum by a Museum supporter. Museum Director Jeremy Sabloff lauded Mrs. Catherwood as a "great champion of our Museum."

Provost Chodorow noted that this would be his last Full Board Trustee meeting as provost, and he took the opportunity to thank the board, and in particular President Rodin, Mr. John Fry, the deans, and the vice provosts for three and one-half extraordinary years of achievement. The provost also noted that his service was for him, personally, one of experience that he hoped to carry into his future career. He added that it had been a privilege to serve as a member of the Penn administration.

*Action*.....1. The provost presented a Resolution on Faculty Appointments, Leaves and Promotions, printed at pp. 13-41 of the meeting book, which was approved.

Chairman Vagelos thanked Provost Chodorow, and the trustees accorded the provost a warm round of applause in gratitude for his service to the University. President Rodin added her voice of thanks to the provost; she commented that Provost Chodorow has demonstrated wonderful leadership at a time when the future and the vision of the University was being shaped. The president added that Provost Chodorow has a tremendous understanding of the meaning and nature of universities not only as medieval institutions, but also as communities as places in which people grow and learn and thrive; she thanked the provost again for his work.

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

Mr. Fry reported that the audited financial statements for FY'97 for the University, including the Health System, were reviewed and approved by the Trustees' Committee on Audit at their meeting on October 22, 1997. In addition, the FY'97 results of operations were reviewed earlier today with the Trustees' Budget and Finance Committee. The complete set of financial statements will be included in the University's fiscal year-end 1997 annual report, which will be distributed to the full board.

Mr. Fry reported on several of the more notable results from the last year. Overall, the University continued to improve its financial position during FY'97. Net assets increased by over \$523 million to a total of over \$4 billion. Almost \$500 million of the increase is attributable to gains on investments and non-operating contributions and investment income. Of the overall increase in net assets, approximately \$170 million represented an increase in unrestricted net assets, with about \$31 million coming from operations. As a note, the fair value of the University's endowment increased by over \$426 million to a total of \$2.5 billion at the end of the fiscal year. The University, excluding the Health Services Component, is projecting break-even performance for FY'98 under budgeting principles of responsibility center management, based on results of operations through October 31, 1997. Overall, the University increased its unrestricted net assets by approximately \$100 million for the first four months of FY'98. For the first quarter of FY'98, the Health Services Component of the Health System had a deficit of \$2.8 million; this amount is a favorable variance to the original budget by about \$6 million, which had projected a deficit of \$8.8 million through the first quarter.

### **D. Health System Report - Dr. Kelley**

Dr. Kelley was pleased to announce that on October 30, 1997, the Health System completed the acquisition of Pennsylvania Hospital; it is a magnificent addition to the University of Pennsylvania Health System (UPHS), as it is the nation's first hospital, founded in 1751, and as

one of Penn's most popular and important teaching sites for the last 230-plus years. Dr. Kelley presented four resolutions for approval. He explained that the first three resolutions were necessary because of changes in organizational structure; the Health System has brought together all of the physician organizations--including the Clinical Practices, the Clinical Care Associates, and others--under a single senior vice president. The fourth resolution involves a change to the Health System bylaws, which represent several technical changes including two to assure that the UPHS is in compliance with JCAHO requirements as a health system and one to allow Dr. Kelley to represent the medical staffs of the each of the hospitals within the Health System at meetings of the UPHS Executive Committee.

*Action*.....1. A Resolution to Amend Section 4.1 of the Bylaws of Franklin Physician Services (FPS) to Add an Additional Ex-officio Director to the FPS Board was approved as follows:

WHEREAS, Section 4.1 of the By-Laws of FPS provides for four (4) *ex officio* directors with all of the rights of other directors, including, except for the Executive Director, the right to vote; and each holds office by virtue of holding a specified position in the University of Pennsylvania Health System (“UPHS”); and

WHEREAS, Section 10.1 of the By-Laws of FPS provides that the By-Laws may be amended upon recommendation of the FPS Board of Directors and the Health System Trustee Board Executive Committee and approval of the University Executive Committee acting as the Sole Shareholder; and

WHEREAS, the FPS Board of Directors and the Health System Trustee Board Executive Committee wish to amend the By-Laws of FPS as set forth in Attachment A [see below] hereto to add the position of Senior Vice President for Health System Development (or equivalent position) as an additional *ex officio* Director to the FPS Board, and recommend to the University Executive Committee that such amendment be approved; and

WHEREAS, the University Executive Committee wishes to amend the By-Laws of FPS as set forth in Attachment A to add the position of Senior Vice President for Health System Development (or equivalent position) as an additional *ex officio* Director to the FPS Board hereto;

THEREFORE, it is hereby:

RESOLVED, that the University Executive Committee hereby amends the By-Laws of FPS to add the position of Senior Vice President for Health System Development (or equivalent position) as an *ex officio* Director to its Board, effective November 7, 1997.

**ATTACHMENT A**

**TO  
BOARD RESOLUTION TO AMEND SECTION 4.1 OF THE BY-LAWS  
OF FRANKLIN PHYSICIAN SERVICES ("FPS") TO ADD  
AN ADDITIONAL EX OFFICIO DIRECTOR TO THE FPS BOARD**

ARTICLE IV

DIRECTORS

Section 4.1 Number of Directors; Qualifications. The Board of Directors shall consist of at least five and not more than fifteen directors, as shall be determined initially by resolution of the Incorporator of the Corporation and thereafter from time to time by the Board of Directors, subject to the power of the Health System Executive Committee acting as the Sole Shareholder to change such action by the Directors. ~~Five (5) Four~~ such Directors shall serve *ex officio*, with all of the rights of other Directors including, except for the Executive Director (as defined below), the right to vote, and each shall hold office as an *ex officio* Director by virtue of holding one of the following positions (or their equivalent regardless of title): (a) CEO/Dean; (b) the Senior Vice-President of the Health System charged with management oversight responsibilities for the Corporation ("SVP-HS"); (c) the Treasurer and Chief Financial Officer of the Health System ("CFO-HS"); **(d) the Senior Vice President for Health System Development (or equivalent position);** and ~~(d)~~ **(e)** the Executive Director of the Corporation (the "Executive Director"). The Executive Director shall have all of the rights of other Directors except for the right to vote. The remaining Directors (the "Elected Directors") shall be selected in the manner provided in Section 4.2 of these Bylaws. At least two Elected Directors shall also be University Trustees (as defined in the Health System Bylaws). The *ex officio* Directors and the Elected Directors who are also University Trustees shall be collectively referred to as the "University Directors." Initially up to twenty percent (20%) and thereafter up to forty percent (40%) of the positions on the Board of Directors, such percentage to be determined by the Health System Executive Committee acting as the Sole Shareholder, may be held by physicians for whom the Corporation provides services ("MSO Physician Directors").

Action.....2. A Resolution on Amendments to CCA Bylaws was approved as follows:

Intention:

The Trustee Board of Clinical Care Associates of the University of Pennsylvania Health System ("CCA") desires to amend the CCA Bylaws to increase the number of *ex officio* voting members from five to seven and to make certain other changes to the CCA Bylaws.

RESOLVED, that Section 4.02 of the CCA Bylaws is hereby amended and restated to read as follows:

Section 4.02 Number of Trustees; Qualification.

The Board of Trustees shall consist of not less than seven or more than thirteen Trustees, as shall be determined from time to time by the University Executive Committee after review and approval by the Health System Executive Committee and the Board of Trustees and their recommendation to the University Executive Committee.

Seven such Trustees shall serve *ex officio*, with all of the rights of other Trustees, and each shall hold office as an *ex officio* Trustee by virtue of holding one of the following positions: (a) Chairperson of the Clinical Practices Executive Committee, (b) Senior Vice President for Professional Services and Managed Care, (c) Executive Director of the Corporation, (d) Senior Vice President for Network Development, (e) Chief Executive Officer of the Health System, (f) Senior Vice President for Finance for the Health System and (g) Vice Dean for Clinical Affairs. The remaining Trustees (the “Elected Trustees”) shall be elected in the manner provided in Sections 4.04 or 4.06 of these Bylaws. At least two Elected Trustees shall also be members of the Health System Executive Committee, and of those two Elected Trustees, at least one shall also be a University Trustee (as defined in the Health System Bylaws). No more than forty-nine percent of the Board of Trustees shall, at any time, be comprised of physicians, nurses or other health care professionals employed by the Corporation or who are financially related, directly or indirectly, to any such professional.

FURTHER RESOLVED, that a new Section 6.04 shall be added to the CCA Bylaws to read as follows:

Section 6.04 Associate Senior Executive. Subject to the authority of the Senior Executive and the Board of Trustees and any committee or committees established by it, the Associate Senior Executive shall perform such duties and have such powers as the Senior Executive may delegate to the Associate Senior Executive. The office of Associate Senior Executive shall be held by the Senior Vice President for Professional Services and Managed Care for the University of Pennsylvania Health System or such other person as shall be designated by the Senior Executive.

FURTHER RESOLVED, that old Sections 6.04 through 6.09 shall be renumbered as Sections 6.05 through Section 6.10 and revised Section 6.05 shall be amended and restated to read as follows:

Section 6.05 Executive Director. Subject to the Authority of the Associate Senior Executive and the Board of Trustees and any committee or committees established by it, the Executive Director shall be responsible for the general management of the business of the Corporation. In addition, in the absence or disability of the Associate Senior Executive or when so directed by the Associate Senior Executive, the Executive Director may perform all the duties of the Associate Senior Executive relating to the Corporation, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon the Associate Senior Executive. In exercising general management of the business of the Corporation, the Executive Director's duties shall include, but not be limited to, carrying out policies established by the Board and the Associate Senior Executive and advising on the formation of such policies; recommending to the Board and the Associate Senior Executive an organizational plan for the conduct of the Corporation's operations as necessary; developing and administering personnel policies and practices of the Corporation, including those relating to physician compensation programs; overseeing all financial aspects of the Corporation, including preparation of the Corporation's operating and capital budgets; maintaining physical properties in a good and safe state of repair and operating condition; presenting to the Board, or its authorized committee, and the Associate Senior Executive periodic reports concerning the activities of the Corporation and such special reports as may be required by the Board or the Associate Senior Executive; recommending to the Board or the Associate Senior Executive plan for the achievement of the Corporation's specific objectives as necessary and periodically reviewing and evaluating such plan; representing the Corporation in its relationships with other organizations, including purchasers of the services of the Corporation; in conjunction with the Medical Director, maintaining appropriate standards of clinical appropriateness, effectiveness and service to patients and their families; and performing such other duties that may be necessary or in the best interest of the Corporation.

*Action*.....3. A Resolution on Establishment of Size of Trustee Board of Clinical Care Associates (CCA) of the University of Pennsylvania Health System (UPHS) was approved as follows:

WHEREAS, Section 4.02 of the Clinical Care Associates of the University of Pennsylvania Health System ("CCA") Bylaws provides in part that the Board of Trustees shall consist of not less than seven or more than thirteen Trustees, as shall be determined from time to time by the University Executive Committee after review and approval by the Health System Executive Committee and the Board of Trustees and their recommendation to the University Executive Committee; and

WHEREAS, the CCA Trustee Board presently consists of ten members, four of which are serving *ex officio* and six of which are Elected Trustees; and

WHEREAS, Section 4.02 of the Bylaws has been amended to provide that seven Trustees shall serve *ex officio*; and

WHEREAS, pursuant to Section 4.02 of the CCA Bylaws, the Board has determined that the Board shall consist of twelve members, seven of which shall serve *ex officio* and five of which shall be elected.

Accordingly, it is hereby:

RESOLVED, that the Board of Trustees shall consist of twelve members, seven of which shall serve *ex officio* as set forth in Section 4.02 of Bylaws and the remainder of which shall be elected Trustees.

Action.....4. A Resolution on Amendments of UPHS Bylaws was approved as follows:

Intention:

In accordance with Article 9.1 of the Bylaws of the Trustee Board of the University of Pennsylvania Health System, the Executive Committee of the UPHS Trustee Board has conducted its annual review of these Bylaws. The Executive Committee has concluded that several revisions are required to make the Bylaws consistent with changes within the Health System, as set forth below:

Paragraph 1.2.1 should be modified to include representation from each of the Health System Component Boards on the Health System Trustee Board to reflect the growth of the Health System and to include a degree of representation by each entity on the Health System Trustee Board.

Paragraph 4.2.2 should be modified so that the CEO of the Health System or his designee is a member of the medical staff of each Component Hospital (i.e., Presbyterian of UPHS, Phoenixville of UPHS, Pennsylvania of UPHS and HUP) and represents the medical staff of the entire Health System at meetings of the Executive Committee. This is consistent with the current direction of the structure of the Health System.

Paragraph 4.2.4.2 should be modified to explicitly include representation of the medical staff of each Component Hospital and of the Chairman of each Component Hospital Board on the Joint Conference Subcommittee.

Paragraph 4.2.4.3 should be modified to include the Chairman of each Component Hospital Medical Board on the Professional Liability Oversight Subcommittee to aid in Health System component representation in matters of this Subcommittee.

References throughout the Health System Bylaws to the senior executive responsible for network programs should be modified to reflect the new position of senior executive responsible for network development.

ACCORDINGLY, IT IS HEREBY:

RESOLVED that the Bylaws of the Trustee Board of the University of Pennsylvania Health System are amended and revised as more particularly set forth in the black-lined version dated September 29, 1997 which is attached to and incorporated in this Resolution [see Appendix A, attached to these minutes]. Revisions are indicated by bold print (for additions) or black-lined type (for deletions).

#### **IV. Committee Reports**

##### **A. Academic Policy - Dr. Chisum**

Reporting on behalf of Committee chair, Dr. Donald Langenberg, Dr. Gloria Chisum stated that the entirety of yesterday's meeting was devoted to the improvement in the rate of graduation of University students. Deputy Provost Michael Wachter reported on the work being performed by his team. The overall graduation rate stands currently at 87%; a significant number of those who have entered the University but have not graduated at the end of six years are on hold because of a failure to meet financial requirements. Other students have completed 30 course units but have not completed the requirements for graduation. Still others drop out, and others transfer. The Committee heard from a task force addressing some creative financial arrangements for those who have not met the financial requirements for graduation and changes in the advising system that will improve the preparation for graduation requirements. Dr. Chisum commented that the Committee will continue to hear updates on this ongoing project to improve graduation rates.

##### **B. Audit Committee - Mrs. Einiger**

Mrs. Carol Einiger, reporting on behalf of Committee chair, Mr. James S. Riepe, stated that the Trustees' Committee on Audit met on October 22, 1997. The Committee reviewed and accepted the consolidated financial statements of the University and the Health System; in both cases, unqualified audit opinions were received from the independent accountants, Coopers & Lybrand. There were no significant disagreements between management and the independent accountants, and no serious difficulties were encountered during the performance of the audits.

Mrs. Einiger remarked that the Vice President for Audit and Compliance, Mr. Rick N. Whitfield, reviewed progress made on restructuring the internal audit function and developing Penn's first corporate compliance function. A corporate compliance oversight committee has been formed, and is meeting monthly. The Committee also received a report on the University's Year 2000 compliance efforts; Penn has strategic initiatives at work for addressing this critical issue, and progress continues toward a December 31, 1998 target date, leaving calendar year 1999 for testing and gaining additional compliance assurance. Finally, the Committee held a working session with management and then with the independent auditors.

### **C. Budget and Finance - Mr. Fox**

Dr. Vagelos noted that the following actions are to be recorded as actions of the Executive Committee. Mr. Robert Fox stated that the Committee met earlier in the day to review the following eleven resolutions. He noted, in particular, that the Committee reviewed the final resolution on the TC Higher Education Services, Inc. Servicing Agreement in depth, enthusiastically endorsed the position of the administration, and unanimously approved it and the other ten resolutions.

Chairman Vagelos acknowledged that there had been a request for a two-minute comment from the audience, but that the request had since been withdrawn. The chairman verified this fact verbally with the audience member, Mr. James Bean.

*Action*.....1. A Resolution on the Construction of the Myrin Building Jones Laboratory for the School of Veterinary Medicine was approved as follows:

Intention:

The School of Veterinary Medicine proposes to renovate three laboratories into state-of-the art research facilities for genetic research in the Myrin Building at the New Bolton Center. The project, referred to as the Jones Laboratory, is estimated to cost \$1,800,000 and will be funded by the School of Veterinary Medicine.

RESOLVED, that the construction of the Jones Laboratory, estimated to cost \$1,800,000, be and the same hereby is approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such contracts, and incur such expenses and obligations -- not, however, in excess of 110% of the estimated cost as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

*Action*.....2. A Resolution on the Construction of the Myrin Building Animal Barrier Research Facility for the School of Veterinary Medicine was approved as follows:

Intention:

The School of Veterinary Medicine proposes to construct an addition to the Myrin Building at the New Bolton Center campus. The new laboratory animal facility will house rodents for use in the School's Center for Animal Transgenesis and Germ Cell Research. The project is estimated to cost \$2,400,000 and will be funded by the School of Veterinary Medicine and a University loan to be repaid by the School.

RESOLVED, that the construction of the Animal Barrier Research Facility, estimated to cost \$2,400,000, be and the same hereby is approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such contracts, and incur such expenses and obligations -- not, however, in excess of 110% of the estimated cost as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

*Action.....*3. A Resolution on the Renovation of Van Pelt-Dietrich Library Center, Phase IV was approved as follows:

Intention:

In Fiscal Year 1996, the University initiated a four-phase project to renovate Van Pelt-Dietrich Library Center, with the goal of providing a functional and aesthetically pleasing environment to better serve the needs of the University community. The first two phases, including the renovation of the second floor of Lippincott and the creation of an information processing center on the first floor, have been completed at a cost of \$2,174,000. Phase III, the upgrade of the public service areas for reference and microforms, is scheduled for completion in December at a cost of approximately \$2,017,000.

The University proposes to begin the fourth and final phase upon the completion of Phase III. This final phase will upgrade the public service areas for circulation and periodicals. The scope of work includes new partitions and finishes, new electrical and data distribution, new sprinkler systems, relocation of the mezzanine staircase and enhancement of the HVAC systems. Phase IV is estimated to cost \$2,044,000, based on bids, and will be funded by Library Center funds and a University loan to be repaid from gift pledges.

RESOLVED, that the renovation of Van Pelt-Dietrich Library Center, Phase IV, estimated to cost \$2,044,000, be and the same hereby is approved, and that the Executive Vice President or other appropriate officers of the University be and 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 as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

*Action*.....4. A Resolution on the Purchase of Research Magnets for the Structural Biology Laboratory of the Department of Biochemistry and Biophysics, School of Medicine was approved as follows:

Intention:

The School of Medicine proposes to purchase three research magnets to provide modern research equipment for the Department of Biochemistry and Biophysics' Structural Biology Laboratory. The purchase and installation of the magnets is estimated to cost \$2,400,000, based on bids, and will be paid for through School of Medicine and departmental funds.

RESOLVED, that the purchase and installation of three research magnets for the School of Medicine, estimated to cost \$2,400,000, be and the same hereby are 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 as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

*Action*.....5. A Resolution on the Acquisition of Property at 401 University Avenue, Philadelphia, Pennsylvania was approved as follows:

Intention:

The University proposes to acquire the property located at the intersection of 38th Street and Woodland Avenue in West Philadelphia and known as 401 University Avenue (the "Property") for a purchase price not to exceed \$1,200,000. The Property comprises approximately 25,035 square feet of vacant land and is the former site of a gasoline filling station. The University's purchase would be contingent upon making satisfactory arrangements with the current owner and Getty Petroleum Corporation, the former owner and operator of the gasoline filling station, regarding remediation of underground contamination associated with the gas station. Acquisition of the Property will be funded through the University's internal resources.

RESOLVED, that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized, subject to the contingencies described above, to proceed with the purchase of the Property at 401 University Avenue for a purchase price not to exceed \$1,200,000 and to execute and deliver a Purchase Agreement as well as any necessary affidavits and other documents required in connection with such purchase, all on such terms as he/she or any of them deem appropriate, and that

any actions heretofore taken by such officers in furtherance of the purposes of this resolution are hereby ratified and affirmed.

*Action.....6.* A Resolution on the Sale of Property at 800 Goshen Road, Radnor Township, Delaware County, Pennsylvania was approved as follows:

Intention:

In 1996, the University acquired property located at 800 Goshen Road in Radnor Township, Delaware County, Pennsylvania (the "Property") as remainderperson of a trust established under the Will of Isaac Norris. The Property consists of 21.85 acres and includes a large single family home and a carriage house. The University has received an offer to purchase the Property for \$1,150,000. The sale is contingent upon the purchaser obtaining approval to subdivide the Property and the price is subject to upward adjustment if more than 6 lots are approved by the municipal authorities. Proceeds from the sale are to be "held as an endowment for the use of the Medical Department in research for the prevention and cure of disease."

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 for a sale price of \$1,150,000, 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.

*Action.....7.* A Resolution on Supplemental Funding for the Operating Room/Materials Management Information System for the University of Pennsylvania Health System - Health Services Component was approved as follows:

Intention:

On June 20, 1997, and subsequently on September 23, 1997, the University Trustees approved the Fiscal Year 1998 Capital Budget Authorizations for the University of Pennsylvania Health System - Health Services Component in the combined amount of \$102,619,000, with implementation dependent on the 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. Included in this authorization was a General Authorization of \$30,000,000.

The Trustee Budget and Finance Committee has reviewed a Health System leadership recommendation to utilize \$650,000 from the General Authorization to

supplement the \$1,172,000 that was previously included in the Fiscal Year 1998 Capital Budget for the Operating Room(OR)/Materials Management Information System. This request brings the total project cost to \$1,822,000. The increase is attributable to a change in the scope of the original project coupled with additional funding to ensure successful deployment. When initially presented, the information system deployment was envisioned as providing OR scheduling and materials management systems at both HUP and Presbyterian. During the course of the system selection, it was determined that the Health System's interests could be better served by installing this integrated information system across the entire Health System. The revised funding provides for the installation of this information system at both Pennsylvania Hospital (contingent upon final resolution of the agreement) and Phoenixville Hospital.

The installation of this system is estimated to provide a payback in less than 1.5 years. The major financial benefits are in the areas of:

- a one-time savings of over \$2,000,000, due to reduced inventory,
- an annual savings of \$1,600,000 in cost per OR case, due to more efficient supply utilization, and
- an annual savings of \$500,000 in improved contract pricing, due to being able to consolidate purchasing functions and utilize the resulting purchasing power.

The Health System Trustee Board Executive Committee has previously approved this funding authorization.

RESOLVED, that this supplemental expenditure request of \$650,000 for the OR/Materials Management Information System 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 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.....*8. A Resolution on the Rowan Breast Center for the University of Pennsylvania Health System - Health Services Component was approved as follows:

Intention:

On June 20, 1997, and subsequently on September 23, 1997, the University Trustees approved the Fiscal Year 1998 Capital Budget Authorizations for the University of Pennsylvania Health System - Health Services Component in the combined amount of \$102,619,000, with implementation dependent on the 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. Included in this authorization was a General Authorization of \$30,000,000.

The Trustee Budget and Finance Committee has reviewed a Health System leadership recommendation to utilize \$2,440,000 from the General Authorization to support the creation of the Rowan Breast Center. It is anticipated that philanthropic commitments ultimately will be received for most, if not all, of this project cost, thereby replenishing the General Authorization reserve. The Rowan Breast Center is a proposed interdisciplinary program focused on breast care within the National Cancer Institute-designated Comprehensive Cancer Center at the University of Pennsylvania Medical Center. The goal of this program is to change the paradigm of breast care, including the organization and delivery of breast cancer prevention, diagnostic, treatment, recovery and behavioral supportive services. There are three core components of the Rowan Breast Center: the nation's most talented breast cancer experts for all needed disciplines, a dedicated facility which brings together as many services as possible and an innovative research program. This authorization will fund the design and construction of outpatient clinical and support facilities on the 14th floor of Penn Tower, adjacent to the Cancer Center project, which is being constructed on the 15th and 16th floors.

This project has a payback period of less than 1.5 years primarily due to the incremental patient revenue this project will generate.

The Health System Trustee Board Executive Committee has previously approved this funding authorization.

RESOLVED, that this itemized expenditure of \$2,440,000 for the creation of the Rowan Breast Center 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 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*.....9. A Resolution on Borrowing of Additional Sums from Washington County Authority and Quakertown General Authority was approved as follows:

Intention:

The Trustees have previously authorized University borrowings from tax-exempt bond pools established by the Washington County Authority (the "Washington Authority") and the Quakertown General Authority (the "Quakertown Authority") to fund various University projects. The benefit to the University from using proceeds of bonds issued by the Washington Authority and Quakertown Authority is derived from the fact that each

Authority issued bonds prior to the enactment of the Tax Reform Act of 1986 (the "Act") and the University's borrowings from each such Authority had the benefit of the favorable provisions of the Internal Revenue Code of 1954, including the right to use such funds for projects that would not otherwise qualify under the Act. The Washington Authority in connection with its bond issue established a debt service reserve fund in the amount of \$9,500,000 and the Quakertown Authority established a debt service reserve fund in the amount of \$15,000,000. The bonds issued by each Authority bear interest at a variable rate and are secured by direct draw letters of credit issued by large commercial banks. Because of the University's credit rating, the Administration of the University and the University's financial advisor believe that the debt service reserve funds established for the Washington Authority and the Quakertown Authority can be eliminated and additional loans made to the University in the principal amounts of \$9,500,000 and \$15,000,000, respectively, to fund University projects including those which could not otherwise be funded by newly issued tax-exempt bonds under existing tax law.

The Administration of the University therefore recommends that the Trustees authorize the borrowing of an additional \$9,500,000 from the Washington Authority and \$15,000,000 from the Quakertown Authority and the application of such funds as designated by the Administration to projects subsumed within the capital budget of the University.

RESOLVED, that the Executive Vice President, Vice President for Finance and/or Treasurer or other appropriate officer is hereby authorized to borrow on behalf of the University from the Washington Authority, an additional \$9,500,000 and from the Quakertown Authority, an additional \$15,000,000 to fund projects contained in the University's capital budget as shall be determined by any of such officers and to use the proceeds of such borrowings to pay the costs of the borrowing, including but not limited to, attorney fees, bank letter of credit fees, Authority fees, financial advisory costs and other related expenses that may be incurred in connection with such borrowings.

FURTHER RESOLVED, that the Executive Vice President, Vice President for Finance and/or Treasurer or other appropriate officer is hereby authorized and empowered to take such action as shall be required to accomplish the elimination of the debt service reserve funds established for the Washington Authority bonds and the Quakertown Authority bonds and to approve the features of the loan, including the interest rate which may be fixed or variable, the term of the loan thereof, to approve the form of and execute and deliver any loan documents, including any lease or sublease agreement, loan agreement or other financing document and to pledge or lease and sublease any University assets and/or revenues required to secure the loan, as in the judgment of the particular officer is required to effectuate the borrowing authorized by this resolution. The execution and delivery of any such documents is to be conclusive evidence of approval thereof by such officer. The Secretary, Associate Secretary or any Assistant Secretary is hereby authorized to affix the seal of the University to any document required to be signed under seal.

FURTHER RESOLVED, that the Executive Vice President, Vice President for Finance and/or Treasurer or other appropriate officer is authorized to take such further action and

do such things, as may in the judgment of such officer upon the advice of counsel be necessary or advisable to carry into effect the intent of this resolution and the transactions contemplated hereby.

*Action*.....10. A Resolution Authorizing Borrowing by the University to Fund Capital Projects and to Refinance Certain Debt was approved as follows:

Intention:

The University intends to (1) renovate, rehabilitate, improve and equip existing University facilities, construct new facilities and acquire property as further described on Exhibit "A" attached hereto (the "Capital Project"); and (2) refinance tax-exempt loans from the Quakertown General Authority and the Washington County Authority, (the "Refinancing Project"). The Administration recommends that it be authorized to borrow up to \$200,000,000 to finance the costs of the Capital Project and such additional amounts as shall be necessary to provide funding for the Refinancing Project from the proceeds of tax-exempt bonds or taxable indebtedness (such bonds or indebtedness to be collectively referred to herein as the "Bonds"), the terms of which would be approved by the Bond Ad Hoc Committee (the "Ad Hoc Committee"), to consist of Robert A. Fox, Paul F. Miller, Jr., James S. Riepe, and Richard B. Worley.

In connection with the undertaking of the Capital Project, the Administration expects that the University will expend its own funds prior to the incurrence of debt to be authorized by this resolution, and as permitted by Federal tax law, desires to be eligible for reimbursement for any costs of the Capital Project funded from its general funds.

In addition, the Administration would like the Trustees to delegate to it the power to choose an issuer and investment bank or bankers for the Bonds, to determine the method of sale of the Bonds, to appoint bond counsel and to do and to take all action with respect to the Bonds except to the extent delegated to the Ad Hoc Committee.

RESOLVED, that the Trustees of the University hereby appoint Robert A. Fox, Paul F. Miller, Jr., James S. Riepe, and Richard B. Worley to serve as members of the Ad Hoc Committee, for the purposes described in this resolution.

FURTHER RESOLVED, that the Trustees of the University hereby authorize the borrowing of up to \$200,000,000 for the Capital Project and such additional amounts as shall be required for the Refinancing Project for a term of up to 40 years, at taxable or tax-free interest rates and at a fixed or variable interest rate, subject to the approval of the terms and conditions of any borrowing pursuant to this resolution by the Ad Hoc Committee, such approval by the Ad Hoc Committee to be conclusively evidenced by the adoption of a resolution authorizing and approving the terms of one or more borrowings pursuant to this resolution.

FURTHER RESOLVED, that the Executive Vice President, Vice President for Finance or Treasurer be and anyone of them is hereby authorized to apply on behalf of the University to a governmental issuer to issue tax-exempt indebtedness for the purposes stated above and to pay such fees and expenses, as may be required in connection therewith and in connection with the incurrence of indebtedness authorized herein.

FURTHER RESOLVED, that the Executive Vice President, Vice President for Finance or Treasurer be and anyone of them is hereby authorized to determine the method of sale of any indebtedness incurred for the University (which may be a competitive sale, negotiated sale, a private placement or any combination thereof), to select an investment banker or bankers (if a negotiated sale is to be used) or a lender or purchaser in the event of a private placement and to take all action in connection therewith, subject however, to the approval of the amount of indebtedness but not in excess of \$200,000,000 for the Capital Project and such additional amounts as shall be required for the Refinancing Project, the rates of interest, the terms thereof and the security for indebtedness all of which shall be subject to approval by the Ad Hoc Committee.

FURTHER RESOLVED, that this resolution shall constitute an official expression of the University's intent to borrow under current Internal Revenue Service income tax regulations, the proceeds of up to \$200,000,000 of the Bonds and to reimburse itself for amount expended in connection with the Capital Project commencing with the period of 60 days prior to the date hereof and from the date hereof to the date of the issuance of such indebtedness.

FURTHER RESOLVED, that the Executive Vice President, Vice President for Finance or Treasurer be and they are hereby authorized and empowered to take such action, approve the form and content and execute and deliver such documents and to do such things as shall be necessary to effectuate the borrowing authorized by this resolution subject, however, in all respects to the approval of the terms and details of the Bonds by the Ad Hoc Committee.

#### Exhibit "A"

Bennett Hall  
Biology Facility  
BRB II/III  
Charles Addams Fine Arts Hall  
College Hall  
Dental Medicine Gateway Building  
Department of Recreation and Intercollegiate Athletics Master Plan  
Engineering Complex  
40th & Walnut Streets Development  
Franklin Field  
Graduate School of Education Facility  
Information Systems Upgrade  
Institute for Advanced Science and Technology  
Library Information Storage Facility

Logan Hall  
Mod Chiller Plant VII and Electric Substation  
Museum Research Collections Wing  
New Bolton Center Renovations  
Perelman Quadrangle  
Physical Plant Relocation  
Psychology Facility  
Public Safety Headquarters and Related Infrastructure  
Residential Master Plan  
Sansom Common Project  
Telecommunications Systems Upgrade  
3100-3198 Chestnut Street Site Development  
Veterinary Medicine Research Building  
Wharton - New Academic Facility  
Wharton - Steinberg Conference Center Improvements  
Renovation and improvements to other campus academic, residential, recreational and administrative facilities; infrastructure improvements and the acquisition of property and equipment

*Action*.....11. A Resolution on the Approval of the TC Higher Education Services, Inc. Servicing Agreement was approved as follows:

Intention:

TC Higher Education Services, Inc. ("TCHES") is a wholly owned subsidiary of Trammell Crow Corporate Services, Inc. and was formed for the purpose of managing university facilities and related services. To provide for the cost efficient professional management of university facilities and related services, the University of Pennsylvania ("University") desires to enter into an agreement with TCHES for management services in connection with the University's facilities, infrastructure and real estate portfolio and for other reporting and consulting services, as will be more specifically set forth in a Servicing Agreement to be entered into between the University and TCHES (the "Servicing Agreement"). The Servicing Agreement will provide, inter alia, for the management of at least 10,000,000 square feet of University facilities for a term of ten years (in addition to a four month initial period and a four month transition period) for an annual management fee of \$4,700,000, which fee will be subject to adjustment on account of cost savings, performance standards and other terms and provisions which will be more specifically set forth in the Servicing Agreement. The Servicing Agreement will also provide for the following incentive payments to be made to the University: (1) \$1,000,000 on the effective date of the Servicing Agreement; (2) \$25,000,000 on the initial period commencement date of the Servicing Agreement; and (3) \$6,000,000 to be paid in increments of \$1,000,000 starting on June 30, 2002 and annually thereafter during the term of the Servicing Agreement, subject to certain conditions more specifically set forth in the Servicing Agreement.

RESOLVED, that the transaction described in the foregoing Intention be, and the same hereby is, approved, with such changes as the Executive Vice President of the University ("EVP"), or other appropriate officer, approves (such approval to be evidenced conclusively by the execution and delivery on behalf of the University of the Servicing Agreement and any and all other documents relating thereto).

FURTHER RESOLVED, that, pursuant to the foregoing, the delegation of authority to the EVP, or other appropriate officer, to take such action and approve and execute such documents on behalf of the University as may be necessary to effectuate and implement the transaction contemplated herein be, and the same hereby is, approved, with such changes as such officer deems advisable, necessary or appropriate in order to effectuate such transaction.

Following the approval of the foregoing eleven resolutions, the chairman read the following statement on behalf of the Board of Trustees: "We the Trustees of the University of Pennsylvania strongly support the administration's strategic plan to focus on the University's core responsibilities of teaching and research as expressed in the *Agenda for Excellence*. We commend the administration for taking steps to operate the University effectively and efficiently and urge it to continue to do so."

### **C. Development - Mr. Shoemaker**

Mr. Alvin Shoemaker reported that the months since the June Trustees' meetings had been busy ones for development and alumni relations. As the presentations at yesterday's plenary session demonstrated, Penn has extraordinary momentum, and that momentum is built upon a strong, broad-base of support for the *Agenda for Excellence*. The Development Committee believes that the phase plan that has been outlined for fundraising for the *Agenda* is the right approach to ensure that the University's top priorities are funded. Fundraising results for FY'97 reflected the energy and enthusiasm with which donors have already responded to the *Agenda*. Penn finished the year with more than \$212 million in pledges and receipts, a 12% increase over the previous year. Interest and commitment continue to grow this year; first quarter results for FY'98 total \$27 million--a promising start to our goal for this year of \$260 million.

### **D. Facilities and Campus Planning - Mr. Tanenbaum**

Mr. Myles Tanenbaum reported that the Committee met on Wednesday evening. The Committee reviewed plans for 1) the expansion of the University Museum, comprised of a new wing on the eastern side of the Museum, and 2) a new Gateway building for the School of Dental Medicine. The Committee received an update on the Sansom Common project, including leasing, the plan for Phase 2 comprising the block on which the Graduate Towers are situated, and the concept related to the redevelopment of the facilities maintenance building, adjacent driveway, and outdoor parking areas on Sansom Street. Mr. Tanenbaum noted that the Committee also reviewed the proposed resolution to the vending issue, which was very well received. Finally, the

Committee discussed the provision for the inclusion of the Faculty Club in the Inn at Penn, a topic which was also covered extensively. All of these subjects represent work in progress, and apart from providing advice and commentary to the University administration, the Committee did not have any action to recommend at this meeting.

#### **E. Investment Board - Mr. Neff**

Mr. John Neff commented that the market value of the Associated Investments Fund (AIF) stood at almost \$2 billion as of September 30, 1997, and the estimated value of the total endowment was \$2.659 billion. The AIF has had a total return of 19.6% since December 31, 1996, versus 18.5% for the AIF composite which is 110 basis points on the right side. He noted that the University's focus on value investing is virtually unchanged from that of eighteen years ago, except that today an additional \$25 million--slightly more than 1%--is being invested in the emerging market area, with particular emphasis in the southeast Asian markets. Mr. Neff commented that although we read "inflamed headlines almost daily" about those troubled regions of the world, it is his belief that these countries will be heard from again; emerging markets represent 6% of the total portfolio. He remarked that the high yield performance over the past nine months is admirable at 15.2% versus 10.6% for the Salomon Bros. High Yield Index; even more pertinent, Mr. Neff noted, is the comparison between the 7.8% return on the Fixed Income Fund and the 6.4% return on the benchmark Lehman Bros. Government/Corporate Index. As such, it is clear that the decision to devote 11% of the portfolio to high yield securities was a good one. Mr. Neff remarked that the market clearly continues to run on the high side, and the volatility can be seen "almost daily." On the same point, he noted that the S&P 500 is up 17.2% a year since December 31, 1979, a level of increase that is "not sustainable." Mr. Neff stated that he has been proven wrong thus far on his assessment, but "one of the great joys of the investment business is that if you say something enough times, ultimately you will be right." He noted that Penn is conscious of principal preservation at this time, and the current cash position stands at 6%--down from 7%--and the Investment Board will invest that difference where it makes the most sense.

#### **F. Neighborhood Initiatives - Mr. Casellas**

Mr. Gilbert Casellas announced that the Committee on Neighborhood Initiatives was established in September 1997 and charged with supporting 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. Mr. Casellas reported that the Committee held its first meeting last month; the Committee was briefed on the current state of the West Philadelphia community, its demographics, its needs, and its enormous potential, as well as the status of development initiatives including Sansom Common, 40th Street, and future plans. The Committee will continue to meet regularly to support the important efforts by the University to promote the West Philadelphia area.

#### **G. Student Life - Dr. Chisum**

Dr. Chisum remarked that she would be brief, since many of the Trustees heard a description of the exciting 21st Century Project during the joint meeting of the Student Life and Facilities and Campus Planning Committees earlier in the morning. She noted that several committee members had approached her following the meeting and said that Provost Chodorow is to be commended for a wonderful legacy that he had helped to create, particularly for improvements in the housing and student life areas. The Committee on Student Life will continue to receive progress reports on the 21st Century Project.

#### **H. Alumni Report - Mrs. Howard**

As president of the University of Pennsylvania Alumni Society, formerly known as the General Alumni Society, Mrs. Elsie Sterling Howard remarked that she was proud to pay tribute to all of the alumni leaders who were or will be present on the Penn campus, including participants in the leadership conference, the young alumni who will be part of Saturday's leadership reception, and this year's recipients of the Alumni Award of Merit: Dr. Morton Amsterdam, Ms. Audrey C. Bedford, Ms. Didi Owens, Mr. Simeon Park, Mr. Gerald Robinson, and Mr. Michael Sandler.

#### **V. Appointments to Overseer and Other Boards**

*Action*.....1. A Resolution for Approval of the Membership of the Trustee Board of the Clinical Care Associates of the University of Pennsylvania Health System was approved as follows:

WHEREAS, Section 4.02 of the Clinical Care Associates of the University of Pennsylvania Health System ("CCA") Bylaws provides for review and approval of the membership of the Trustee Board of CCA by the Health System Trustee Executive Committee and the University of Pennsylvania Board of Trustees. The University of Pennsylvania Health System Trustee Executive Committee has approved the membership of the Trustee Board of CCA.

Accordingly, it is hereby:

RESOLVED, that the Executive Committee recommends the following action to the Executive Committee of the University of Pennsylvania Board of Trustees:

- Approval of the membership of the Trustee Board of Clinical Care Associates of the University of Pennsylvania Health System consisting of the following members:

Robert J. Butera, Esq.  
Richard Censits  
Joel W. Eisner, M.D.  
Mark A. Kelley, M.D. (Ex-Officio)  
William N. Kelley, M.D. (Ex-Officio)  
John C. S. Kepner, Esq. (Ex-Officio)

David E. Longnecker, M.D. (Ex-Officio)  
Anthony S. Minisi, Esq.  
Martha H. Marsh (Ex-Officio)  
Robert D. Martin, Ph.D. (Ex-Officio)  
Paul H. Rogers, M.D.  
John P. Wynne, Jr. (Ex-Officio)

*Action*.....2. A Resolution on Appointments of David S. Pottruck and Martin V. Vaughn to the Athletics Advisory Board was approved as follows:

RESOLVED that Mr. David S. Pottruck and Mr. Martin V. Vaughn be appointed to the Athletics Advisory Board for three-year terms, effective November 7, 1997.

*Action*.....3. A Resolution on Appointments of Carlos L. Nottebohm and Richard B. Price to the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology was approved as follows:

RESOLVED that Mr. Carlos L. Nottebohm and Mr. Richard C. Price be appointed to the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology for three-year terms, effective November 7, 1997.

*Action*.....4. A Resolution on Appointment of Gary L. Wilson to the Board of Overseers of the Wharton School was approved as follows:

RESOLVED that Mr. Gary L. Wilson be appointed to the Board of Overseers of the Wharton School for a three-year term, effective November 7, 1997.

*Action*.....5. A Resolution on Appointment of William T. Golden as Overseer Emeritus of the Board of Overseers of the School of Arts and Sciences was approved as follows:

RESOLVED that Mr. William T. Golden be appointed Overseer Emeritus of the Board of Overseers of the School of Arts and Sciences, effective November 7, 1997.

*Action*.....6. A Resolution on Appointment of Vincent B. Murphy, Jr. as Overseer Emeritus of the Board of Overseers of the School of Veterinary Medicine was approved as follows:

RESOLVED that Mr. Vincent B. Murphy, Jr. be appointed Overseer Emeritus of the Board of Overseers of the School of Veterinary Medicine, effective November 7, 1997.

There being no further business to come before the board, the meeting was adjourned at 2:50 p.m.

Respectfully submitted,

Barbara J. Lowery  
Interim Secretary of the University