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

May 1, 1998

A meeting of the Executive Committee of the Trustees of the University of Pennsylvania was convened at 2:20 p.m., Friday, May 1, 1998, in the Chestnut Room of the Penn Club of New York, 30 West 44th Street. Trustees present were Gilbert Casellas, Susan Catherwood, Robert Fox, Elsie Sterling Howard, Natalie Koether, Andrea Mitchell, John Neff, Russell Palmer, James Riepe, Judith Rodin (ex officio), Alvin Shoemaker, Saul Steinberg, Myles Tanenbaum, and P. Roy Vagelos (chair). Others attending included Virginia B. Clark, John A. Fry, Shelley Z. Green, Jason E. Horger, William N. Kelley, Rosemary McManus, and Michael Wachter.

I. Call to Order - Dr. Vagelos

A. The minutes of the meeting of March 20, 1998 were approved as distributed.

B. Comments

Chairman Vagelos announced that the Trustees' Audit Committee will now have a new name and hereafter will be referred to as the "Trustees' Committee on Audit and Compliance."

II. President's Report - Dr. Rodin

A. Comments

President Judith Rodin announced the excellent news that the Koo family of Taiwan--a family with strong ties to the University--has given $10 million to Penn to be directed toward the building of Wharton's new graduate program facilities at 38th and Walnut Streets.

The president also reported that, since the March meeting, Penn has announced an incentive program to encourage University affiliates to buy homes in University City. The program has thus far been very well received, and it serves as yet another University investment in the West Philadelphia community. President Rodin commented that with the initiatives including University City District (UCD), UC Brite, and the new UC Green, a yet-to-be-announced collaboration with GSFA's landscape architecture program, Penn and the surrounding community will see real and lasting change.

President Rodin turned sadly to the death of Mr. Steven D. Murray, Vice President for Business Services. She remarked that Mr. Murray's passing was an enormous loss for Penn for he was
a gifted colleague and a wonderful friend; she noted that her and the Committee's thoughts and prayers were with Mr. Murray's wife, Barbara, and his son, Craig.

The president asked the Committee to approve the appointment of Ms. Marie D. Witt as interim vice president for business services as Penn will mount a national search for Mr. Murray's successor.

Action........ 1. A Resolution on the Appointment of Marie D. Witt as Interim Vice President for Business Services was approved as follows:

RESOLVED, that Marie D. Witt be appointed Interim Vice President for Business Services, effective April 20, 1998.

B. Academic Report - Dr. Wachter

1. Comments

Interim provost Michael Wachter reported that it was a terrific week during which many of Penn's faculty received prestigious honors and well-deserved recognition. Three members of the School of Arts and Sciences faculty were elected to the National Academy of Sciences: Dr. Douglas Massey, department chair of sociology and Dorothy S. Thomas Professor of Sociology; Dr. Paul Steinhardt, Mary Amanda Wood Professor of Physics; and Dr. Lewis Tilney, professor of biology and Robert Strausz-Hupe Term Chair. Dr. Wachter announced that Dr. Linda Aiken, the Trustee Professor of Medicine and professor of sociology, and Dr. Fan Chung, professor of mathematics, were both elected into the American Academy of Arts and Sciences. Finally, Dr. Wachter reported that the following faculty members were 1998 Guggenheim Award recipients: Dr. Lee Haring, adjunct professor of folklore and folklife; Dr. Mauro F. Guillén, assistant professor of management; Eugene W. Beier, professor of physics; Dr. Larry Gross, Sol Worth Professor of Communication; and Dr. Neil Shubin, associate professor of biology and one of Penn's new faculty house masters.

On the subject of Penn's College House System, interim provost Wachter reported that six new faculty fellows were appointed to join the comprehensive house system in the fall. The following faculty members will begin their two-year terms as fellows on July 1: Dr. Michael Gamer, assistant professor of English (Hill College House); Dr. Tina Lu, assistant professor of Chinese literature (Harnwell College House); Dr. Lori Rosenkopf, the Douglas Vickers Term Assistant Professor of Management (Gregory College House); Alan Strudler, assistant professor of legal studies (Harrison College House); and Dr. Joseph Sun, director of undergraduate academic affairs for SEAS (Community House). Dr. Wachter explained that these new faculty fellows will join another half-dozen incumbent faculty fellows in the 12 college houses. As faculty fellows, they will live and dine in the College Houses with their families, bringing house residents into daily contact with Penn's finest faculty members. Some of the fellows are chosen because their scholarly interests are related to the specialized programming in the houses, but all join because of their ability to serve in more than one capacity as informal advisors, program initiators, and bridge builders to the many resources of the University. Dr. Wachter noted that all of the faculty fellows are selected by faculty masters in consultation with students and staff within each house.
Interim provost Wachter remarked that the appointments and reappointments for the 12 faculty master positions is nearing completion as well. When Penn's new college house system opens in the fall, a terrific team of faculty, house deans, graduate students, and undergraduates will be in place and living and learning in the all-new 21st Century College Houses.

President Rodin added that, in addition to the aforementioned honors and distinctions, Dean William N. Kelley recently was elected to the American Philosophical Society; she offered her utmost congratulations to Dr. Kelley.

Action........ 2. A Resolution to Establish a Master of Science Degree in Accounting in the Wharton School was approved as follows:

Intention:

The Wharton School has approved a proposal to establish a new degree of Master of Science in Accounting in response to the changes in the American Institute of Certified Public Accountants’ rules that increase from 120 to 150 credit hours the amount of course work recommended be completed by students prior to their taking the CPA examination.

Because this increased course load—equivalent to an additional ten courses—will require a fifth year of study, the Wharton School wishes to recognize the extra effort and advanced coursework involved by awarding a master's degree. Matriculation in the new degree program will be open only to current Wharton undergraduate students. In order to qualify a student must concentrate in Accounting as an undergraduate, intend to sit for the CPA exam, and meet such other departmental requirements as stated.

The new degree program has been approved by the Wharton Doctoral Executive Committee, by the Wharton Faculty, and by the Wharton Dean. It subsequently was endorsed by the University's Academic Planning and Budget Committee, the Provost, and the Trustees' Academic Policy Committee.

RESOLVED, that there shall be established with the Wharton School a new degree of Master of Science in Accounting (MSA) that will be available to Wharton undergraduate accounting majors only.

Action........ 3. The provost introduced and asked for approval of a Resolution on Faculty Appointments and Promotions printed at pp. 3-25 of the meeting book, which was approved.

C. Financial Report - Mr. Fry
Executive Vice President John Fry reported that through the first nine months of FY 1998, the University increased its net assets by $364 million to a total of $3.77 billion. Most of the increase is the result of non-operating contributions, investment income, and gains recorded on investments over the first three quarters. Significant increases in asset totals were seen for contributions receivable and plant, increases of 15.2% and 9.8%, respectively. As of March 31, cash and cash equivalents totaled almost $300 million, an increase of 157% since June 30, 1997; the increase reflects receipt of the proceeds from the $200 million PHEFA Series 1998 bonds issued in January 1998.

Through March 1998, operating revenue has increased 6.3% over the comparable period in FY 1997. Overall, tuition and fees increased 4.8%, reflecting the FY 1998 rate increase of 5.3% offset by some decreases in the number of graduate students enrolled. The University continues to see significant increases in revenue derived from sponsored programs and contributions. Sponsored program revenue increased almost 10.5% over the comparable nine month period in FY 97 to a total of over $187 million. The University also recorded an increase of over 55% in combined operating and non-operating contributions from FY 97 to FY 98. Overall, expenditures increased 7.2%, primarily the result of the increase in sponsored program activities. In updating January projections for this fiscal year, the University is still not projecting any significant deviations from planned budgeted performance for any of the University's schools or resource centers under the budgeting principles of responsibility center management.

Finally, Mr. Fry reported that through February 1998, the Health Services Component of the Health System had a gain in earnings before interest depreciation and amortization (EBITDA) of $378.5 million, which was $12.2 million better than budget.

D. Health System Report - Dr. Kelley

Dr. Kelley stated that there was no Health System Report for May.

III. Trustee Committee Reports

A. Budget and Finance Report - Mr. Fox

Action........1. A Resolution on the Renovations to the School of Veterinary Medicine Old Quadrangle, Rooms 147E-167E was approved as follows:

Intention:

The School of Veterinary Medicine intends to renovate approximately 4,000 square feet of underutilized and substandard research space in its Old Veterinary Quadrangle into state-of-the-art physiology laboratories. The scope of work includes the upgrade of building systems, redesign of interior spaces, new equipment, lighting and finishes. The project is estimated to cost $1.2 million and will be funded by School and University resources.
RESOLVED, that the construction of the renovations to the School of Veterinary Old Quadrangle, estimated to cost $1.2 million, 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 percent of the estimated cost as presented to the Budget and Finance Committee -- as may, in their judgment, be necessary or desirable to accomplish the purposes of this resolution.

Action........2. A Resolution on the Renovations to the White Training House was approved as follows:

Intention:

The University intends to create an office suite for coaches of intercollegiate sports teams in the White Training House. This project will address the University's commitment to providing adequate facilities for its men's and women's sports. The scope of work includes the upgrade of building systems, redesign of interior spaces and new lighting and finishes. The project is estimated to cost $2.8 million and will be paid from pledges and receipts and University funds.

RESOLVED, that the construction of the renovations to the White Training House estimated to cost $2.8 million, 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 percent of the estimated cost as presented to the Budget and Finance Committee -- as may, in their judgment, be necessary or desirable to accomplish the purposes of this resolution.

Action........3. A Resolution on the Perelman Quadrangle Houston Hall Renovation was approved as follows:

Intention:

In December 1995, the Trustees approved $2 million in design fees for the renovation of Houston Hall as part of the Perelman Quadrangle project. In November 1996, the project scope was increased to include food service facilities under Wynn Commons. The design of Houston Hall is complete and the University is ready to proceed with the design of the additional food service facilities for an additional cost of $1,150,000. The total design fees budget and related costs are estimated at $3,150,000 and will cover the costs of a food services consultant and structural investigations. The projected cost of the Houston Hall renovation is $29,700,000. The additional design fees will covered by central University resources in anticipation of forthcoming gifts.
RESOLVED, that the design budget for the Perelman Quadrangle - Houston Hall food services renovations, estimated to cost $1,150,000, 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, to execute such contracts, and incur such expenses and obligations -- not, however, in excess of 110 percent of the estimated cost as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

Action........4. A Resolution on Sale of Property in Cranbury Township, New Jersey was approved as follows:

Intention:

In 1986, the University received a 25% interest in a 134.7 acre parcel of real property ("Property") in Cranbury Township, New Jersey as a beneficiary under the will of Raymond L. Simmons. As the result of a prior transaction (see Trustees resolution dated March 17, 1995), the Property is subject to an easement that restricts its use to agricultural purposes. The owners of the Property have now received an offer to purchase a portion of the property comprising 78.47 acres for $270,000. The University's share of the proceeds from the purchase will be approximately $67,500. Proceeds from this transaction will benefit The Wharton School.

RESOLVED, that the Executive Vice President or any other appropriate officer of the University be and they hereby are authorized to proceed with the sale and conveyance of the 78.47 acre parcel of the Property on the terms described above and to proceed with the execution and delivery of a Deed and all necessary affidavits and 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........5. A Resolution Authorizing the Sale of 7810 York Road, Cheltenham Township, Montgomery County, Pennsylvania was approved as follows:

Intention:

In April 1998, the University received as a gift the property located at 7810 York Road in Cheltenham Township, Pennsylvania (the “Property”). The Property comprises approximately .5 acres and includes a structure having a total of approximately 5,148 square feet that is currently used as a doctor's office and two apartments. The University has now received an offer to purchase the Property for a price of $272,500.
RESOLVED, that the Executive Vice President or any appropriate officer of the University be
and they hereby are authorized to proceed with the sale and conveyance of the Property for a
sale price of $272,500 and to proceed with the execution and delivery of an Agreement of Sale,
a Deed and all necessary affidavits and 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. Net proceeds from the sale are
designated for the Medical Center.

Action........6. A Resolution Amending May 21, 1993 Resolution on the Authority to Execute
and Perform Research Contracts and Grants was approved as follows:

Intention:

On March 13, 1987, the Trustees approved a resolution on the authority to execute and
perform research contracts and grants.

Corporate and governmental sponsors of University research often request a certified Board
resolution explicitly delegating to the University signatory the authority to execute research
agreements or grants. In addition, certain foreign patent applications require a copy of the
corporate resolution authorizing the signatory for the University to sign on its behalf.

Because of the creation of the Center for Technology Transfer and title changes for some of the
individuals previously authorized to execute research contracts and grants, on May 21, 1993,
the Trustees approved changes to the March 13, 1987 resolution. In light of the recent
separation of the Office of Regulatory Affairs from the Office of Research Administration and
the formation of a new organization, Research Services, and the resulting title changes for some
of the individuals previously authorized to execute research contracts and grants, the
administration proposes that the May 21, 1993 resolution be amended to read in full as follows.

RESOLVED, that the Vice Provost for Research and the Director, Associate and Assistant
Director(s) of Research Services be and hereby are authorized to sign, perform and execute for
the University all research and training contracts, grants or other agreements which have been
reviewed and approved pursuant to University policies and procedures. This authority shall
include the signing of any and all documents required in connection with the initiation, operation
and termination of such contracts, grants or agreements.

FURTHER RESOLVED, that these same officers and the Managing Director and Directors of
the Center for Technology Transfer be and hereby are authorized to sign any and all documents
in connection with the application for, or prosecution of, patents on inventions and discoveries,
the issuance of licenses to use such inventions and discoveries and to sign documents required
for the application for or transfer of copyrights, provided that all such applications, licenses or
other documents have been reviewed and approved pursuant to University policies and procedures.

FURTHER RESOLVED, that the Vice Provost for Research and the Director of Regulatory Affairs be and hereby are authorized to sign any and all documents in connection with the review and approval of research projects involving the use of humans or animals as subjects, which have been reviewed and approved pursuant to University policies and procedures.

Action........7. A Resolution on UPHS Subspecialty Network Strategy was approved as follows:

Intention:

Approximately two years ago, UPHS began developing a strategy for the creation of Subspecialty Networks (SSNs) in anticipation of payors electing to carve-out certain specialty care for managed care contracting. It was contemplated that the SSNs would assist in: (i) preserving access to clinical volumes and diversity of cases needed to support the CPUP Department's training and research programs; (ii) developing an infrastructure for managed care carve-out contracts to enhance UPHS' ability to secure such contracts; (iii) creating a preferred provider panel of specialists conveniently located for CCA physicians; and (iv) solidifying relationships with quality community-based specialists and supporting specialists at UPHS affiliated hospitals. In furtherance of this strategy, the CPUP Departments focused on identifying the community's finest specialty physicians with a goal toward developing collaborative relationships. In addition, the SSNs support the development of the UPHS Clinical Service Groups and enhance UPHS' Health and Disease Management Programs.

It was anticipated that the SSNs would develop in three phases. Phase I would involve a membership association of CPUP specialists and community-based specialists. Phase II, to be implemented only when contracting opportunities are apparent, would involve the creation of the appropriate legal structure in "readiness" for participation under a managed care risk contract. Phase III would involve managed care risk contract participation. While the CPUP Departments continued to develop the Phase I membership associations with quality community specialists, UPHS delayed implementation of Phase II until the actual need arose.

Having already cut costs for primary care, and with medical loss ratios continuing to rise, payors are looking to specialty care for additional cost savings. In November 1997, Aetna/U.S. Healthcare (AUSHC) solicited responses to a Request for Qualifications (RFQ) from the following five specialty areas: allergy, cardiology, dermatology, ophthalmology and otorhinolaryngology. It is anticipated that other payors in the Delaware Valley will be announcing similar programs, and that additional specialty areas will be targeted.

With contracting opportunities imminent, UPHS proposes to move to Phase II and set up a separate legal entity (Franklin-Sub) to hold the University's interest in the SSNs. This separate
entity has the advantage of: (i) affording the University an additional level of insulation from liabilities arising out of participation in SSNs; (ii) allowing for a level of flexibility to enable UPHS to respond quickly to market forces; (iii) serving as a vehicle to oversee and monitor SSN contractual arrangements and joint ventures; and (iv) providing possible protection under Stark II by providing a level of separation between UPHS and community specialists. Franklin-Sub will be a newly created tax-exempt, non-profit corporation, the sole member of which would be the University. Franklin-Sub would then serve as the member of the joint venture entity formed for each SSN. The primary model envisioned is a Limited Liability Company (LLC). Franklin-Sub would be governed by a board of directors, which would include representatives of UPHS's senior management, as well as selected CPUP Department Chairs.

In responding to the Aetna US Healthcare RFQ, various organizational models have been proposed, depending on the needs of the particular subspecialty. These models include: (i) UPHS sponsored contractual arrangements (Franklin-Sub holds the payor contract and subcontracts with the community specialists); (ii) participation as a member through Franklin-Sub in an existing subspecialty network organization in the community; and (iii) participation through Franklin-Sub in a new joint-venture entity with community specialists through the creation of a LLC for each subspecialty. This LLC has the advantage of being treated like a corporation, with "limited liability" protection afforded to the members, and as a partnership ("pass-through" taxation) for federal and state tax purposes. Each LLC would have a governing board, including community specialists; however, certain powers (e.g. use of Penn/Franklin name, ability to commit funds, ability to enter into contracts, amendments to the Certificate of Organization and Bylaws) would be reserved in favor of UPHS.

The Trustee Board Executive Committee of the University of Pennsylvania Health System has recommended to the Budget and Finance Committee of the University of Pennsylvania, approval of the UPHS subspecialty network strategy, including the creation of a new subsidiary of the Trustees of the University of Pennsylvania for such purpose, as described in the foregoing Intention;

RESOLVED, that the Budget and Finance Committee of the University of Pennsylvania approves the UPHS subspecialty network strategy, including the creation of a new subsidiary of the Trustees of the University of Pennsylvania, and recommends that the following actions take place, subject to applicable approval processes, policies and capital expenditure limitations: that the Trustee Board Executive Committee of the University of Pennsylvania Health System delegate authority to the Chief Executive Officer of the University of Pennsylvania Medical Center and Health System, Dean of the School of Medicine (CEO/Dean) or his designee to (i) take such action and execute such documents as may be necessary or appropriate in implementing such strategy; and (ii) authorize the filing of the Articles of Incorporation of the subsidiary of the Trustees of the University of Pennsylvania with the Department of State of the Commonwealth of Pennsylvania and approve the Bylaws of such subsidiary.
Intention:

The Department of Ophthalmology, doing business as the Scheie Eye Institute ("SEI"), saw the need to create a difficult-to-replicate eye care network to: (i) provide quality eye care to residents in the Delaware Valley; (ii) preserve clinical volumes and diversity of cases to maintain SEI's training and research programs; and (iii) position itself to compete for managed care carve-out contracts, subject to market forces. SEI, a provider of predominantly specialty and subspecialty eye care, desires to affiliate with an established network of quality, geographically distributed, providers of predominantly general ophthalmology and optometry services, in its efforts to form the SEI eye care network.

Greater Philadelphia Eye Care, Centers for Excellence, Independent Practice Association ("IPA"), Inc. ("GPECCE"), was incorporated on 9/28/94 as a non-profit, taxable IPA. GPECCE consists of 140 members (90 ophthalmologists and 50 optometrists) located throughout the greater Delaware Valley, and desires to affiliate with an entity consisting of specialists and subspecialists in an effort to jointly: (i) pursue managed care carve out contracts with payors; and (ii) develop and market a vision care benefits plan.

SEI and GPECCE plan to enter into an Affiliation Agreement, for an initial term of five (5) years, that governs and describes the overall relationship and intent of the parties with respect to permit SEI to managed care carve out contracting. In addition, SEI and GPECCE plan to enter into a Participating Provider Agreement, also for a term of five (5) years, which governs the contractual relationship of the parties with respect to non-risk contracts.

Lastly, the University, on behalf of SEI, would become a "member" of GPECCE. The GPECCE Bylaws will be amended to: (i) create a separate category of membership for SEI to permit SEI to participate as the exclusive institutional member of GPECCE; and (ii) create a separate class of director such that a SEI physician will have a non-revocable seat on the GPECCE Board for the length of the affiliation arrangement between GPECCE and SEI. Membership in GPECCE would cost SEI approximately $10,000 in 1998 ($3,000 for the first physician plus $500 for each additional physician). SEI anticipates that approximately 14 physicians will join GPECCE. As a result of membership fee increases for 1999, the cost to participate in GPECCE will increase to $38,500 if 14 SEI physicians join GPECCE in 1999.

The Trustee Board Executive Committee of the University of Pennsylvania Health System has recommended to the Budget and Finance Committee of the University of Pennsylvania approval of the affiliation between SEI and GPECCE, as described in the foregoing Intention.

RESOLVED, that the Budget and Finance Committee approves the affiliation between SEI and GPECCE and recommends the following: that the Trustee Board Executive Committee of the
University of Pennsylvania Health System delegate, to the Chief Executive Officer of the University of Pennsylvania Medical Center and Health System, Dean of the School of Medicine (CEO/Dean) or his designee, the authority to: (i) execute the documents effectuating such affiliation; (ii) authorize the payment of membership fees; (iii) appoint the SEI physician to serve on the GPECCE Board on behalf of the Trustees; and (iv) take such other actions as may be necessary or appropriate in implementing such affiliation as described in the foregoing Intention, subject to applicable approval processes, policies, and capital expenditure limitations.

Action.........9. A Resolution Authorizing the Purchase of the Rudolphy Parking Lot (3801-17 Powelton Avenue) by the Presbyterian Medical Center of the University of Pennsylvania Health System was approved as follows:

Intention:

The Presbyterian Medical Center of the University of Pennsylvania Health System ("PMC") has been presented with an opportunity to purchase the 2600 square foot parking lot located at 3801-3817 Powelton Avenue from the Edith R. Rudolphy Residence for the Blind ("Rudolphy") for the purchase price of $500,000. On March 13, 1998, PMC was provided with notice from Rudolphy indicating that Rudolphy had received (and intended to accept) a bona fide offer from Dialysis Clinic, Inc. ("DCI") to purchase the Rudolphy parking lot for a price of $500,000. This notice was provided in accordance with a Right of First Refusal held by PMC, and was accompanied by a copy of a Contract of Sale, which together detailed the terms of DCI's offer and the terms under which PMC could exercise its Right of First Refusal if it chose to do so. In accordance with this right, PMC can purchase the Rudolphy parking lot first on precisely the same terms as those offered by DCI to Rudolphy, provided PMC serves notice to Rudolphy of its intention to exercise the Right of First Refusal (along with a $200,000 deposit) within twenty (20) days, which PMC will do on or before April 10, 1998, as authorized by PMC Trustee Board unanimous consent resolution.

At present, DCI proposes to develop and construct a dialysis clinic on the site. UPHS physicians would provide medical services at the clinic. However, Management recommends that PMC purchase the Rudolphy parking lot, which would position PMC to negotiate a ground lease with DCI under which DCI would be responsible for building the clinic, while PMC retains ownership of the property.

Exercising this Right of First Refusal enabled PMC to step into the shoes of DCI and to purchase the property. Therefore, PMC became bound by the terms of the Contract of Sale after providing notice of its intent to exercise its Right of First Refusal. Under the Contract of Sale, PMC's obligations are conditioned upon its ability to obtain reasonably satisfactory assurances regarding utility service, zoning, governmental approvals, and hazardous waste issues. Further, PMC is required to provide Rudolphy with notice of its intention to proceed
with the purchase of the property by June 15, 1998. If PMC fails to do so by that date, PMC is deemed to have elected to terminate the Contract of Sale. Upon such termination, PMC is not legally obligated to follow through with the purchase of the Rudolphy parking lot, and the $200,000 deposit must be returned to PMC within ninety (90) days. If PMC provides notice of its intention to proceed by June 15, 1998, closing is scheduled for June 30, 1998, at which time PMC will be required to furnish the balance of the purchase price ($300,000).

By way of background, this opportunity to purchase the parking lot was offered to PMC pursuant to an option held by Rudolphy and a contingent Right of First Refusal held by PMC, as originally granted to PMC pursuant to an Agreement of Sale ("1993 Agreement of Sale"), entered into on November 11, 1993 and duly executed by Presbyterian Medical Center of Philadelphia prior to its merger into the University of Pennsylvania Health System. The 1993 Agreement of Sale established the terms of PMC's purchase of the parking lot at a purchase price of $400,000, and also: (1) gave Rudolphy an option (the "Option") to re-purchase the parking lot in November of 1997, and (2) if Rudolphy exercised this Option, it gave PMC the Right of First Refusal. In November of 1997, Rudolphy exercised its Option to purchase the parking lot for $150,000, and on December 30, 1997, UPHS delivered the fully executed Deed to Rudolphy conveying the property from UPHS to Rudolphy, as required under the Option and the 1993 Agreement of Sale.

The Health System Trustee Board Executive Committee has recommended the purchase of the Rudolphy parking lot by PMC.

RESOLVED, that this purchase of the Rudolphy parking lot located at 3801-17 Powelton Avenue by Presbyterian Medical Center of the University of Pennsylvania Health System for $500,000 be and the same hereby is approved and that the Controller of Presbyterian Medical Center of the University of Pennsylvania Health System or other appropriate officers of Presbyterian Medical Center be and they hereby are authorized to take such actions, execute and deliver such contracts and deeds and such other documents that shall be required to effectuate such purchase and to incur such expenses and obligations -- not, however, in excess of 110 percent of the estimated cost as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of the resolution.

A Resolution on the Renovation of Blockley Hall for the Division of General Medicine and the Associate Dean for Health Services was approved as follows:

Intention:

In order to provide modern research laboratories for the Division of General Internal Medicine and the Associate Dean for Health Services Research, the School of Medicine proposes to renovate 10,200 net square feet on the 11th and 12th floors of Blockley Hall. The total project
cost for the renovations based on bids is $2,475,000. The project will be paid for by the School of Medicine.

RESOLVED, that the renovations, estimated to cost $2,475,000, be and the same hereby are approved and the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, proceed with such renovations, and incur such expenses and obligations -- not, however, in excess of 110 percent of the estimated cost as presented to the Budget and Finance Committee -- as may, in their judgment, be necessary or desirable to accomplish the purposes of this resolution.

Action........11. A Resolution on the Construction of a Fitness Center in the Gimbel Gymnasium was approved as follows:

Intention:

The University intends to build a fitness center on parts of two floors of the Gimbel Gymnasium. This initiative meets the need for a centrally located exercise facility to enrich the undergraduate experience, encourage wellness as a lifelong practice and to promote interaction among faculty, students and staff. The scope of work includes the purchase and installation of athletic equipment, reconfiguration of selected areas, new finishes, lighting and improvements to the mechanical and electrical systems. The project is estimated to cost $1.1 million and will be paid from gifts pledged and received.

RESOLVED, that the construction of a Fitness Center in Gimbel Gymnasium, estimated to cost $1.1 million, 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, proceed with such work, execute such contracts, and incur such expenses and obligations -- not, however, in excess of 110 percent of the estimated cost as presented to the Budget and Finance Committee -- as may, in their judgment, be necessary or desirable to accomplish the purposes of this resolution.

B. Investment Report - Mr. Neff

Mr. Neff reported that, at a spirited meeting of the Investment Board earlier in the day, his proposal to decrease the University's holdings in domestic equities and convert it into cash was defeated. All of the members of the board agreed that the market, at 24 times earnings and with a 1.5% yield, was exposed and would be corrected at some point. In spite of this consensus, the proposal was rejected largely because the proportion of U.S. equity securities in the portfolio already had been reduced. Mr. Neff noted that equity assets are actually up compared to the allocation in 1979 since the University has invested in international and emerging markets. He recognized that principal preservation is not a theme that is prevalent in today's marketplace, but he expressed concern that the

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protected part of the University's endowment--the portion that is "risk-adverse," i.e., cash and fixed income securities--which was 40% of the portfolio 18 years ago, now comprises only 22% of the total portfolio. As such, Mr. Neff was apprehensive that nearly 80% of the portfolio is at risk should the market "go south," but he remarked that majority ruled regarding the decision.

On the performance side of his report, Mr. Neff noted that the University was a bit behind the AIF Composite Index in both year-to-date and the fiscal year performance.

IV. Overseer and Other Boards

Action........A. A Resolution on the Appointments of Jerry L. Johnson and Albert Ominsky to the Board of Managers of the Wistar Institute was approved as follows:

RESOLVED, that Jerry L. Johnson and Albert Ominsky be appointed to the Board of Managers of the Wistar Institute on an interim basis, effective May 1, 1998, until such time as the full Board of the Wistar Institute for 1999 is elected.

Action........B. A Resolution on Appointment of John R. Cali to the University of Pennsylvania Health System Trustee Board and School of Medicine Board of Overseers was approved as follows:

RESOLVED, that John R. Cali be appointed to the University of Pennsylvania Health System Trustee Board and the School of Medicine Board of Overseers for a three-year term, effective May 1, 1998.

Action........C. A Resolution on Appointment of Adolph A. Paier, Jr. to the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology was approved as follows:

RESOLVED, that Adolph A. Paier, Jr. be appointed to the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology for a three-year term, effective May 1, 1998.

Action........D. A Resolution on Appointment of Merryl H. Tisch to the Board of Overseers of the Graduate School of Education was approved as follows:

RESOLVED, that Merryl H. Tisch be appointed to the Board of Overseers of the Graduate School for Education for a three-year term, effective May 1, 1998.
There being no further business to come before the meeting, it was adjourned at 2:40 p.m.

Respectfully submitted,

Rosemary McManus
Secretary of the University