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 19, 1998 were approved as distributed.

II. Chair’s Report - Dr. Vagelos

A. Comments

Before addressing the resolutions before the Full Board, Chairman Vagelos thanked President Judith Rodin for her recent review of the University's accomplishments, congratulated her on those accomplishments, and expressed his interest in and hope for the future plans for Penn.

Action.............1. Dr. Vagelos introduced a Memorial Resolution for Charles S. Wolf (May 22, 1921 - September 1, 1998), which was approved as follows:
Charles S. Wolf (W'42, WG'43, HON'91) will long be remembered for his enthusiasm for life, his wide-ranging knowledge, and his wise and devoted service to the community, with special attention to the University of Pennsylvania.

A member of Penn's basketball team as an undergraduate, he was also a dedicated Wharton student who stayed on to earn his master's degree. Destined to make excellent use of his education, he became a successful industrialist, presiding over York Container Company as chairman, CEO, and director. He held leadership positions in numerous professional organizations, including the Pennsylvania Manufacturers' Association, the Fibre Box Association, the Manufacturers' Association of York, and the International Corrugated Case Association.

A dynamic leader in the community, he served as director of the Pennsylvania Chamber of Commerce and director and president of Pennsylvania for Effective Government. Closer to home, he was director and president of the Northeastern School District of York County, president and director of the York Symphony Orchestra, president of the trustees of York College, and trustee of the YMCA. The York Chamber of Commerce proudly presented him with its Duke of York Award.

Ever loyal to his alma mater, in May 1968, he became a trustee of the University of Pennsylvania, where he served with distinction on the External Affairs and Student Life Committees. From 1976 to 1989, he continued to give generously of his time and talents as a member and chairman of the School of Veterinary Medicine Board of Overseers. His devotion to Penn did not stop then as, in 1989, Mr. Wolf was elected an emeritus trustee, as well as chairman emeritus of the School of Veterinary Medicine Board. An early and ardent supporter of student financial aid, he established the Charles S. and Phyllis H. Wolf Scholarship at the School of Veterinary Medicine and the Wharton School. In acknowledgment of his many and varied contributions, he was awarded both the Wharton School's Distinguished Alumni Medal and the Veterinary School's Centennial Medal. In 1991, the University gratefully bestowed on him his third degree, honorary Doctor of Laws.

RESOLVED, that the Trustees of the University of Pennsylvania convey their sorrow at 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 deep appreciation and affection with the family of one of Penn's most esteemed and beloved alumni, Charles S. Wolf.

Dr. Vagelos presented the memorial resolution to Mr. Wolf's wife, Phyllis, and his son, Charles Wolf, Jr., at which time the trustees accorded the Wolfs an appreciative and affectionate round of applause.

A Resolution of Appreciation for Edwin Krawitz was approved as follows:
RESOLVED, that the Trustees of the University of Pennsylvania acknowledge with gratitude and affection the service of Edwin Krawitz (W'50, L'55) as a Trustee of the University from 1995 to 1998. His commitment and dedication to both the Commonwealth of Pennsylvania and the University have contributed to the vitality of this great institution. We look forward to his continued guidance, counsel, and friendship.

Action...............3. A Resolution of Appreciation for William Schawbel was approved as follows:

RESOLVED, that the Trustees of the University of Pennsylvania acknowledge with gratitude and affection the service of William Schawbel (W'61) as a Trustee of the University from 1993 to 1998. His commitment and dedication to the well-being of the University, through his leadership as chairman of the School of Veterinary Medicine Board of Overseers and co-chairman of the James Brister Society, have contributed deeply to the vitality of this great institution. We look forward to his continued guidance, counsel, and friendship.

Action...............4. A Resolution of Appreciation for George A. Weiss was approved as follows:

RESOLVED, that the Trustees of the University of Pennsylvania acknowledge with gratitude and affection the service of George A. Weiss (W'65) as a Trustee of the University from 1988 to 1998. His insight, vision, and commitment opened the doors to educational opportunity for hundreds of school children in West Philadelphia, and his dedication strengthened the University's athletics program and contributed greatly to the vitality of this great institution. We look forward to his continued guidance, counsel, and friendship.

Upon each trustee's receipt of the framed resolution of appreciation from the chairman, the Board accorded Mr. Krawitz, Mr. Schawbel, and Mr. Weiss, a heartfelt and warm round of applause in recognition for their years of service to the University.

B. Nominating Committee Report

Dr. Vagelos presented the following resolutions:

Action...............1. A Resolution on Election of John G. Harkins, Jr. as an Emeritus Trustee was approved as follows:

RESOLVED, that John G. Harkins, Jr., Esq. be elected an Emeritus Trustee, effective October 30, 1998.

Action...............2. A Resolution on Election of Robert P. Levy as an Emeritus Trustee was approved as follows:
RESOLVED, that Mr. Robert P. Levy be elected an Emeritus Trustee, effective October 30, 1998.

Action..............3. A Resolution on Election of Myles H. Tanenbaum as an Emeritus Trustee was approved as follows:

RESOLVED, that Myles H. Tanenbaum, Esq. be elected an Emeritus Trustee, effective October 30, 1998.

Action..............4. A Resolution on Election of Raymond H. Welsh as an Emeritus Trustee was approved as follows:

RESOLVED, that Mr. Raymond H. Welsh be elected an Emeritus Trustee, effective October 30, 1998.

Action..............5. A Resolution on Election of Mitchell J. Blutt as a Term Trustee was approved as follows:

RESOLVED, that Mitchell J. Blutt, M.D. be elected a Term Trustee, effective October 30, 1998.

Action..............6. A Resolution on Election of Mitchell I. Quain as a Term Trustee was approved as follows:

RESOLVED, that Mr. Mitchell I. Quain be elected a Term Trustee, effective October 30, 1998.

Action..............7. A Resolution on Election of David M. Silfen as a Term Trustee was approved as follows:

RESOLVED, that Mr. David M. Silfen be elected a Term Trustee, effective October 30, 1998.

III. President’s Report - Dr. Rodin

A. Comments

To begin, President Rodin thanked the trustees for a particularly productive series of meetings over the last two days. She added that she and the trustees had accomplished a great deal together, and she expressed her extreme gratitude for all that the Board does for Penn.
The president highlighted numerous events at Penn that had occurred since the Board last met in June. The fall semester officially began with freshman convocation ceremonies, which were held in early September on a crisp evening on College Green; in near perfect attendance, the Class of 2002 marched under their College House banners as though it had been a Penn tradition for years. The president described the event as energizing for both faculty and students.

The Van Pelt-Dietrich Library renovations have begun to fulfill the University's expectation that it will be a library to serve scholarship for the 21st century. The president described the new, improved library as user-friendly, technologically advanced, and a wonderful place to study, conduct research, or simply contemplate.

President Rodin remarked that the University officially opened Sansom Common in September; it has been a resounding success. The president offered her personal thanks to all of those who played a role in making Sansom Common a reality. Sansom Common will serve the University and the West Philadelphia community well for years to come.

The president then commented on the recently announced partnership between Penn and Sundance Cinemas to begin the project on 40th Street, known as Hamilton Square, that is vitally important to continued development and improvement within the University City area.

Before turning to Interim Provost Wachter for his report, the president proudly mentioned that progress has been made on the University's six strategic academic initiatives. In particular, she noted the fall announcement of Penn Humanities Forum, chaired by Professor Wendy Steiner, which is hoped to stimulate and encourage the interactions between the humanities and out to the cognate disciplines. She noted that a committee was appointed this summer to commence the Life Sciences initiative; one of the first initiatives in this area is to study cognitive neuroscience. President Rodin explained that cognitive neuroscience lies at the intersection of a number of disciplines, including biology, neurology, psychology, and psychiatry, and it holds great promise as an emerging field of scholarship and research that is extremely dynamic and fast-moving. A working group of scholars has been convened to move this priority forward, chaired by Dr. Robert Barchi, who is chair and professor of Neuroscience and Neurology.

Finally, the president introduced two resolutions for Trustee approval.

Action.............1. A Resolution of Appreciation for Peter C. Nowell, M.D. was approved as follows:

Dr. Peter C. Nowell (M'52), Professor of Pathology and Laboratory Medicine, has spent his entire professional career at the University of Pennsylvania, earning his M.D. from the School of Medicine in 1952 and beginning his faculty career at Penn in 1956. For over 40 years, he has contributed to the well-being of the Medical Center and Health System, the University, and the community, and his constant efforts and extraordinary commitment have enhanced science and medicine with local, national, and international impact.

Dr. Nowell has made many significant contributions to science throughout his long and distinguished career, most notably in his discovery of the "Philadelphia Chromosome," the first human gene linked to cancer.
As a result of his distinguished career, Dr. Nowell has been selected to receive the 1998 Albert Lasker Award for Clinical Medical Research from the Albert and Mary Lasker Foundation. The Lasker Awards, chosen by a jury of the world's top scientists, are the nation's most prestigious honor for medical research and represent the highest possible recognition for a career of exceptional work—they are, indeed, considered "America's Nobels."

RESOLVED, that the Members of the University of Pennsylvania Health System Trustee Board Executive Committee, together with the University of Pennsylvania Board of Trustees, on behalf of themselves and the entire Medical Center, Health System, and University, express to Dr. Peter C. Nowell their utmost congratulations on this most impressive recognition of his lifetime achievements and their admiration for all of his outstanding efforts in advancing scientific inquiry in the interests of society.

Action.............2. A Resolution of Recognition of the Outstanding Quality Achievements of the University of Pennsylvania Health System was approved as follows:

The University of Pennsylvania Health System has been honored in 1998 as the recipient of three major national quality health care awards: the National Quality Health Care Award from the National Committee for Quality Health Care; the Excellence in Healthcare Award from Modern Healthcare and MMI Companies, Inc.; and, most recently, the Ernest A. Codman Award from the Joint Commission for Accreditation of Healthcare Organizations (JCAHO) awarded to the Hospital of the University of Pennsylvania.

These outstanding awards represent the nation's "triple crown" of quality and reflect the superb quality of care received by patients who have selected the Health System for their health care needs.

The faculty and staff of the University of Pennsylvania Health System and the Hospital of the University of Pennsylvania have been recognized by these three national awards for their competence, commitment, and excellence in meeting the needs of our patients.

RESOLVED, that the University of Pennsylvania Health System Trustee Board Executive Committee, together with the University of Pennsylvania Board of Trustees, on behalf of themselves and the entire Medical Center, Health System, and University, express to the faculty and staff of the University of Pennsylvania Health System their deep appreciation and admiration for their outstanding efforts in consistently exceeding industry standards on behalf of our patients.

The trustees accorded Dr. William N. Kelley a round of applause as he received the resolution of recognition on behalf of the University of Pennsylvania Health System.

B. Academic Report - Dr. Wachter
Interim Provost Michael Wachter updated the trustees on a few areas of progress in the Provost’s office. To begin, the provost explained that, as part of Penn's strategic planning process, each of the deans is reviewed during the sixth year of their seven-year term. This year, School of Social Work Dean Ira Schwartz is currently up for review. Provost Wachter announced that the Dean Review Committee has been established and will be chaired by Dr. Sankey Williams, the Sol Katz Professor of General Internal Medicine. Dean review committees include eight faculty members, four elected by the school’s faculty and four chosen by the University, primarily from outside of the school. There are also two student members and an alumni/overseer representative.

Second, the provost was pleased to report that the 21st Century Project, as a central, organizing theme, has come to its natural conclusion. Although Penn is formally "ending" this chapter of the 21st Century Project, the initiatives that it has launched have thrived and now stand on their own. The project began with President Rodin's 1994 inaugural address, in which she described a model for the future of undergraduate education at Penn. Her vision included three core goals: educating leaders for the next century, creating a responsive and highly supportive environment for student learning, and creating an intellectually dynamic and varied living experience for undergraduates. The provost then highlighted several of the successful projects that emerged from the academic incubator the 21st Century project provided.

Provost Wachter commented that the first major success story of the 21st Century Project was Penn's 21st century College Houses, which he described as an incredibly concrete and dramatic example of meeting the Project's goal of "creating an intellectually dynamic and varied living experience." The second success story, the Wheel programs, offer an unprecedented level of academic support in residence in subjects including math, computing, writing, and library research. The Wheel programs, many of which are delivered in a distributed learning mode, are literally transforming the way student services are delivered at Penn. The provost continued by mentioning the development of hubs--the Kelly Writers House and the Civic House. Like the college houses, these non-residential communities allow the University to meet all three of its 21st Century Project goals. Finally, the Undergraduate Research Resource Center is another example of a successful 21st Century pilot. The Resource Center is a terrific means to furthering undergraduate research opportunities, but Penn intends to build on that success. The provost commented that the University would witness in the coming months a continued commitment to expanding research opportunities for undergraduates, not just in faculty research but in internships as well. Provost Wachter was pleased to report that the vision articulated four years ago by President Rodin is well on its way to being met.

On another subject, the provost reported that Penn is vigorously working to fill the director positions at two resource centers: the Institute for Contemporary Art and the Fels Center of Government. He noted that he had just announced search committees for each position; the ICA search committee will be led by GSFA Dean Gary Hack, and the Fels Center search committee will be chaired by political science faculty member, Professor Jack Nagel.

**Action**

1. The interim provost presented a Resolution on Appointments, Leaves and Promotions, printed at pp. 14-38 of the meeting book, which was approved.
The interim provost also was pleased to present a Resolution to Establish a Master of Medical Physics Degree in the School of Arts and Sciences, which was approved as follows:

Intention:

The Faculty of the School of Arts and Sciences has approved a proposal to establish a new Master of Medical Physics degree program that will be administered through the Department of Physics and Astronomy. The new degree program has been endorsed by the University's Academic Planning and Budget Committee and by the Interim Provost.

This program will meet the needs of students who wish to apply rigorous graduate-level training in physics to problems of medical research and diagnosis. There is an increasing demand in medical fields for specially-trained physicists to aid in research, help develop new technologies, and maintain existing high-technology clinical equipment. The distinguished group of faculty in Physics and Astronomy who are engaged in medical physics research, together with the School of Medicine's preeminent faculty in Radiology and Radiation Oncology, make Penn well-positioned to offer a course of study in this field.

Students in the program will participate in graduate physics courses, balancing classroom and laboratory experience, while also undertaking special coursework in medicine and biology. Select graduates of the program will have the opportunity to complete a two-year residency through the Departments of Radiology and Radiation Oncology in the School of Medicine that will prepare them for certification by the American Board of Radiology.

RESOLVED, that there shall be established within the School of Arts and Sciences a new interdisciplinary degree program, the Master of Medical Physics, that will be administered through the Department of Physics and Astronomy.

FURTHER RESOLVED, that the School of Arts and Sciences will undertake a review of the new Master of Medical Physics program after a period of no more than five years.

C. Financial Report - Mr. Fry

Mr. Fry presented the financial report for FY 98 for both the University and Health Services Component. The audited FY 98 financial results show that the University, including the Health Services Component, increased its net assets by $367.4 million to a total of $4.5 billion at June 30, 1998, of which $2.3 billion was unrestricted. The increase is attributable to non-operating contributions, non-operating investment income, and gains recorded on investments over the fiscal year. At June 30, 1998, the University recorded significant net increases in contributions receivable and plant assets, increases of $74 million and $186 million, respectively. As of June 30, cash, cash equivalents, and investments totaled almost $4.1 billion, an increase of almost $450 million since the beginning of the fiscal year, primarily the result of the increase in the University's net assets.
Highlights of FY 98 activities saw operating revenue increase 5.6% over FY 97 to a total of almost $2.6 billion. Significant increases were recorded for tuition and fees and sponsored program revenue, increases of 5.5% and 14.9% respectively. Overall, expenses increased 9.1%, reflecting the increase in sponsored program activities and an increase in expenses of almost $120 million associated with the Health Services Component. For FY 98, the University saw a decrease in net assets of $34 million from operating activities, primarily the result of unfavorable operating results of the Health Services Component of the Health System. Offsetting this decrease in net assets were the non-operating increases in net assets cited earlier. The most notable of the non-operating increases was the $171 million recorded in non-operating contributions, an increase of $108 million over the FY 97 total of $63 million.

Overall, the University had another year of strong financial performance during FY 98, which, Mr. Fry noted, could be said even after factoring out the positive gain on investments recorded as the result of the previous fiscal year's favorable investment markets.

D. Health System Report - Dr. Kelley

Dr. Kelley also added his congratulations to the faculty and staff of the Health System on the outstanding achievement of receiving the three national health care quality awards in the same year, a unique and historic feat. He noted that he will express the Board's resolution of recognition to the Health System's faculty and staff with great pride.

Action.............1. Dr. Kelley introduced the below Resolution for Adoption of the Bylaws of Franklin Specialty Physicians, which was approved as follows:

Intention:

On May 1, 1998, the University Trustee Board Executive Committee and Budget and Finance Committee approved the University of Pennsylvania Health System (“UPHS”) strategy for subspecialty networks, which approval included the creation of a subsidiary of the Trustees of the University of Pennsylvania (the “Trustees”). As a result, Franklin Specialty Physicians (“FSP”) was incorporated on June 25, 1998, under the Pennsylvania Nonprofit Corporate Law of 1988.

On September 15, 1998, the University Trustee Board Executive Committee approved the appointment of the following individuals to serve on the initial Board of Trustees of FSP, and approved the appointment of Raymond H. Welsh as the Chair of the FSP Board of Trustees:

- Judith Roth Berkowitz
- I. William Ferniany, Ph.D.
- William N. Kelley, M.D.
- David W. Kennedy, M.D.
- Martha H. Marsh
- Raymond H. Welsh, Chair
- John P. Wynne, Jr.
On October 12, 1998, the FSP Board of Trustees and the UPHS Trustee Board Executive Committee recommended the FSP Bylaws, a copy of which are attached hereto as Attachment A, for adoption by the University of Pennsylvania Board of Trustees.

RESOLVED, that the University of Pennsylvania Board of Trustees hereby adopts the Bylaws of FSP, in the form attached hereto as Attachment A, and directs the Secretary of FSP to insert a copy of such Bylaws in the FSP minute book.

IV. Committee Reports

A. Academic Policy - Dr. Langenberg

Dr. Langenberg reported that the Committee's eyes were opened earlier today to exciting new and old examples of cross-disciplinary programs at Penn, which have been particularly successful in attracting and educating some of the University's best and brightest students. One of the older programs explored was Biological Basis of Behavior, in existence for nearly 20 years. One newer cross-disciplinary program, for example, incorporates the study of philosophy, politics, and economics within the Huntsman Program in International Studies and Business. Some of these programs involve two or more departments within the School of Arts and Sciences, while others involve two or more departments within two or more schools.

Dr. Langenberg stated that the Committee also heard from Dr. Norman Badler, Professor of Computer and Information Science, on the work of his institute toward the development of virtual humans.

Finally, the Committee discussed the proposed--and now approved--Master of Medical Physics degree, an exciting, cross-disciplinary program involving the departments of astronomy and physics, as well as the Medical School.

B. Audit and Compliance - Mr. Riepe

Mr. Riepe reported that during the Audit and Compliance Committee meeting held yesterday, the Committee reviewed a number of important issues. Most importantly, the Committee reviewed and discussed the Y2K efforts of the University, including the Health System, in some detail. Updates were provided by those members of the administration responsible for Y2K compliance, as well as by PricewaterhouseCoopers, who have served as consultants to the University on the project. Mr. Riepe noted that there has been progress on the Y2K front, but there is still much to be done in the ensuing 14 months to ensure that Penn is Y2K compliant. The Committee will continue to monitor the Y2K issue closely.

The University's Audit and Compliance Office also provided a report indicating that the internal audit effort is fully staffed and running effectively. Mr. Riepe stated that the Committee
reviewed the FY 98 financial statements for the University and Health System as a whole with PricewaterhouseCoopers and discussed in some detail the current health care market, including the Philadelphia market and its changes, in particular.

C. Budget and Finance - Mrs. Catherwood

On behalf of Mr. Fox, Mrs. Catherwood presented the below resolutions, which were discussed by the Committee. Mrs. Catherwood noted that the following actions are to be recorded as actions of the Executive Committee.

Action............1. A Resolution on the Perelman Quadrangle Program Consolidation was approved as follows:

Intention:

The Perelman Quadrangle is intended to become the center of Penn’s community life. Perelman Quadrangle will become an academic and student activities complex that will serve as a meeting place and common ground for the student body and over 250 student organizations. The surrounding buildings, restored and renovated, will provide Penn students, faculty, and staff with food service, lounges, meeting rooms, performance spaces, and student activity space.

The Perelman Quadrangle is comprised of five major projects; ongoing are Logan Hall and Irvine Auditorium renovations, and just commencing construction are Williams Hall, Wynn Commons, and Houston Hall. The University intends to create one unified Perelman Quadrangle program by incorporating all of the previously certified and approved projects and adding these new projects into one budget.

Through consolidation of all these project budgets, better coordination of efforts will be achieved, improved efficiencies will be created, and better-cost control measures will be realized. The Trustees previously approved a total of $42.5 million for design services for Houston Hall and Williams Hall and total project costs for Irvine Auditorium and Logan Hall renovations.

The University is now requesting an additional sum of $40.1 million to commence construction of the Wynn Commons and of Houston Hall renovations and of Williams Hall renovations and additions. The scope of this work includes interior renovation within Houston Hall, construction of a food service facility, access tunnels, loading dock facility, installation of brick and granite walkways, amphitheater, and rostrum in and around Wynn Commons. The scope also includes the construction of the two-story glass Silfen Study Center that will connect to the newly constructed activity rooms on the lower levels of Williams Hall.

RESOLVED, that the previously approved project budgets totaling $42.5 million for Perelman Quadrangle be consolidated into a single project budget, and that the Perelman Quadrangle additional costs of $40.1 million, 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............2. A Resolution Authorizing the Formation of Hamilton Square, Inc., and the Borrowing by the University to Fund Design, Engineering and Development Activities Relating to a Mixed-Use Project at 40th and Walnut Streets was approved as follows:

Intention:

The University proposes to develop a mixed-use commercial project on the property surrounding the intersection of 40th and Walnut Streets to be called Hamilton Square (or herein the “Project”). The Project will include entertainment, retail and office uses, together with a parking garage, and related amenities. The objectives of the Project are to improve the western edge of the campus with dynamic uses which will increase pedestrian traffic, especially in the evening, and thus increase the safety and vitality of the neighborhood, as well as the overall quality of the life for students, faculty, and staff.

Hamilton Square will be developed and managed by a newly formed Pennsylvania for-profit corporation, Hamilton Square, Inc. In order for construction on the Project to begin in 1999, the schematic design phase of the Project must proceed promptly. Design and development activities will be focused on an Arts House Cinema to be located on the southwest corner of the intersection featuring multiple screens and showing primarily independent and foreign films. The Cinema is intended to include a café, as well as space for film and literary resources; it is intended to be operated by Sundance Cinema Circuit, LLC, pursuant to a long-term lease. Space adjacent to the Cinema will be comprised of retail and office uses with renovation to the existing structure to reflect the overall character of the Project.

Design and development activities also will focus on the northwest corner of the intersection where a new multi-story garage facility will offer parking to accommodate the needs of the Cinema, the new and existing retail space, and students, faculty, and staff. A fresh food market will be located at the ground level of the parking facility and will be operated pursuant to a long-term lease by a tenant with extensive experience in retail food stores.

The University intends to finance Hamilton Square through a combination of construction and long-term borrowings by the University or Hamilton Square, Inc. as well as by equity investments in Hamilton Square, Inc. The Administration recommends that on behalf of the University and Hamilton Square, Inc., it be authorized to borrow and accept equity of up to $35.5 million to finance the costs of the Project of which no more than $16 million shall be used for the garage facility and no more than $19.5 million shall be used for the Cinema and other retail uses. The Administration intends that the borrowings may include tax exempt bonds or taxable indebtedness or any combination thereof (such bonds,
indebtedness, and equity investments to be collectively referred to herein as the “Financings”), the terms of which would be approved by the Bond Ad Hoc Committee (the “Ad Hoc Committee”). The Ad Hoc Committee was formed by the Trustees in November 1997 consisting of the following members: Robert A. Fox, Paul F. Miller, Jr., James S. Riepe, and Richard B. Worley.

In connection with the undertaking of Hamilton Square, 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 of any costs of the Project funded from its general funds.

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

RESOLVED, that the Executive Vice President and any other appropriate officers of the University, be and they hereby are authorized to form Hamilton Square, Inc., and that all actions heretofore taken by such officers concerning the formation of Hamilton Square, Inc. are hereby ratified and affirmed.

FURTHER RESOLVED, that the Trustees of the University hereby authorize the borrowing of up to $35,500,000 for Hamilton Square for a term of up to forty 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 or equity investment 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 Financings pursuant to this resolution.

FURTHER RESOLVED, that the Executive Vice President, Vice President for Finance or Treasurer be, and any one 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 any 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 any one of them is, hereby authorized to determine the method of sale of any indebtedness incurred for the University or Hamilton Square, Inc. (which may be a competitive sale, negotiated sale, 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 not in excess of $35,500,000 for the Project, the rates of interest, the terms thereof and the security for indebtedness, all of which shall be subject to the 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 $35,500,000 of the Financings, and to reimburse itself for amounts expended in connection with the Project commencing with the period of 90 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, execute such contracts and leases, approve the form and content and execute and deliver such documents and do such things as shall be necessary to effectuate the implementation of the Project and the Financings authorized by this resolution subject, however, in all respects, to the approval of the terms and details of the Financings by the Ad Hoc Committee.

FURTHER RESOLVED, that all actions heretofore taken by such officers in furtherance of the purposes of the resolution are hereby ratified and affirmed.

Action.............3. A Resolution on Module VII Chilled Water Plant was approved as follows:

Intention:

The University proposes to construct a seventh chilled water plant to address the ongoing need for chilled water required to serve new research and academic buildings coming on line by 2000. Phase IA of the plant construction will provide 20,000 tons of chilled water by the spring of 2000. The building will be designed to be expandable in the future to a total capacity of 50,000 tons. The scope of the work includes a 30,000 ton plant building with a 20,000 ton chilled water capacity, with modifications to the existing chilled water site piping distribution system to allow for the export of 50,000 tons from Module VII plant. This project is estimated to cost $64.4 million and will be paid for through the utilities overhead portion of allocated cost. Anticipated utilities savings will likely offset the increase in allocated cost. All utility savings will be returned to Facilities Services to service the debt.

RESOLVED, that the construction of the Module VII Chilled Water Plant, estimated to cost $64.4 million, be and the same hereby is approved, and that the Executive Vice President or other appropriate officers of the University be and they 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 Renovations to Silverman Hall was approved as follows:
Intention:

The Law School proposes to restore the Great Hall and Grand Stair of Silverman Hall to their original historic state. Silverman Hall will serve as a focal point for the University, highlighting the many historical structures on campus. In addition, this renovation includes the construction of a large multi-purpose function space for gatherings and lectures, and relocates the Bernard Segal Moot Courtroom to provide a state-of-the-art teaching facility. The scope of the work includes renovating deteriorated plaster walls and ceilings, worn vinyl tile flooring, soiled facades with deteriorated pointing, weathered windows, and thirty-year old mechanical and electrical systems. This project is estimated to cost $11.2 million and will be paid for by pledged gifts and operating surpluses of the Law School.

RESOLVED, that the renovations to Silverman Hall, estimated to cost $11.2 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% 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 Borrowing from Washington County Authority for Various University Projects was approved as follows:

Intention:

The Trustees of the University of Pennsylvania (the “University”) have previously authorized the borrowing of approximately $68.8 million from a revolving loan pool (the “Pool”) funded with the proceeds of tax-exempt bonds issued by the Washington County Authority (the “Authority”) to pay the costs of various capital projects. In connection with the borrowing, the University and the Authority entered into a Lease and Sublease pursuant to which the University leased and subleased certain of its facilities to and from the Authority and agreed to make payments under the Sublease in amounts equal to the principal of and interest on the loan. The University administration expects to repay certain of the borrowings and desires to re-borrow from the Pool at a later date additional moneys to fund other capital projects provided that the total amount of the borrowings will not exceed $68.8 million, or the amount previously authorized by the Trustees. New borrowings would be applied to pay capital projects included within the capital budget of the University as identified by the Executive Vice President, Vice President for Finance or the Treasurer in connection with a re-borrowing.

RESOLVED, that the Executive Vice President, Vice President for Finance and/or Treasurer or other appropriate officer is hereby authorized after repaying amounts borrowed from the Authority Pool to borrow additional amounts so long as the total amount of borrowing from the Authority does not exceed $68.8 million.
FURTHER RESOLVED, that the Executive Vice President, Vice President for Finance and/or Treasurer or other appropriate officer is hereby authorized to take such action and do such things as shall be required and necessary to enable the University to borrow additional amounts from the Authority Pool and to apply such borrowings to capital projects included within the University capital budget as identified by any such officer in connection with a particular borrowing.

FURTHER RESOLVED, that the Executive Vice President, Vice President for Finance and/or Treasurer or other appropriate officer is hereby authorized and directed to execute, acknowledge and deliver and the Secretary of the University or the Secretary’s designee, is hereby authorized and directed to affix and attest the corporate seal of the University to such documents as may be necessary or advisable to carry out the intent of this resolution, all in the form approved by the Executive Vice President, Vice President for Finance and/or Treasurer or other appropriate officer, the execution and delivery thereof by any one of such authorized officers is to be conclusive evidence of approval thereof.

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, including the power to lease and sublease University facilities, as may in the judgment of such officer upon the advice of counsel, be necessary or advisable to carry out the intent of this resolution and the transactions contemplated hereby.

FURTHER RESOLVED, that all resolutions or parts of resolutions insofar as they are inconsistent herewith are hereby repealed.

Action..........6. A Resolution on Approving the Purchase of 741-43 Spruce Street by Pennsylvania Hospital of the University of Pennsylvania Health System was approved as follows:

Intention:

On February 19, 1998, the University of Pennsylvania Trustee Board approved the Fiscal Year 1998 capital budget totaling $35.2 million for Pennsylvania Hospital of the University of Pennsylvania Health System. Included in this budget was $1.5 million for the purchase of a medical building that was strategically located on the Pennsylvania Hospital campus.

The administration of Pennsylvania Hospital and representatives of the University of Pennsylvania Health System (UPHS) have negotiated with Terrence Malloy, MD, a member of the Board of Managers and currently the Chief of the Section of Urology of Pennsylvania Hospital, the terms under which Dr. Malloy will sell to Pennsylvania Hospital his medical office building located on the northeast corner of 8th and Spruce Streets for a purchase price of $1.5 million, excluding closing costs. Under the terms of the agreement, Dr. Malloy will lease the building from Pennsylvania Hospital for the use of his medical practice. The reasonableness of the financial terms of the transaction has been supported by a Summary Appraisal Report prepared by the Reaves C. Lukens Company.
The University of Pennsylvania Health System Trustee Board Executive Committee and the University of Pennsylvania Trustee Board Budget and Finance Committee has recommended approval of this transaction.

RESOLVED, that the purchase by the Pennsylvania Hospital of the University of Pennsylvania Health System of the medical office building located 741-743 Spruce Streets from Terrence Malloy, MD, and the lease of the building to Dr. Malloy for the use of his medical practice, under the terms and conditions described to this Board (the “Transaction”) and recommended by the Trustee Budget and Finance Committee, be and the same is hereby approved.

FURTHER RESOLVED, that pursuant to the foregoing resolution, the University of Pennsylvania Trustee Board hereby approves the Transaction and delegates authority to the Chief Executive Officer of the University of Pennsylvania Medical Center and Health System/Dean of the School of Medicine, or his designee, to take such action, execute such contracts, and incur such expenses and obligations – not, however, in excess of 110% of the estimated costs 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............7. A Resolution on Wharton Financial Aid was approved as follows:

Intention:

The Wharton School proposes to expand the definition of eligible students for financial aid to include students admitted to its MBA program from anywhere in the world. In order to maintain its competitiveness and to expand its ability to attract the best students, the Wharton School wishes to make student loans available to all admitted students including those from countries other than the United States. The Trustees approved up to $50 million in loan guarantees in May 1996 for loans to domestic and international undergraduate students and to domestic graduate and professional students at attractive rates and terms. The terms and conditions of the expanded program would be similar to the existing program except that for Wharton domestic and international students, no origination fees would be charged and no credit investigation would be made. The loan would be offered at the prime rate and the amount would not exceed Wharton's cost of attendance less any other financial aid for which the student may be eligible. Because of the more liberal conditions Wharton will be responsible for any loan losses in excess of the net revenues received from the loan program. It is recommended that the approved level of loan guarantees be increased from $50 million to $100 million to accommodate the Wharton plan for international students and to meet the requirements of the current student loan program.

RESOLVED, that the Executive Vice President, the Vice President for Finance, and the Treasurer, be any one of them is hereby authorized and empowered to approve the form,
conditions, and terms of the guarantee agreements of up to $100 million for student loans, and to execute and deliver on behalf of the University any such documents as may be necessary or appropriate to accomplish the purpose of this resolution, such execution and delivery to be conclusive evidence of approval thereof by the officer executing them.

FURTHER RESOLVED, that the Wharton School shall report to the Trustees on the financial status of this program, including default rates, losses if any, and overall revenues prior to the start of the 2002 fiscal year.

Mrs. Catherwood commented that the next resolution authorizes the sale of the Wharton Sinkler Estate, and she stated that, before reading the resolution, she would acknowledge the important and long-standing ties between the Elkins and Sinkler families and Penn. Mrs. Catherwood noted that the property was given to the University by Louise Elkins Sinkler, widow of Wharton Sinkler (Class of 1906), in recognition of the strong connection between the many branches of her family and Penn—as students, as faculty, and as recipients of honorary degrees. By all accounts, Mrs. Sinkler was a remarkable woman, and her extended family's links to Penn have continued into the present. Although circumstances have changed and sale of the property is now advisable, Mrs. Catherwood, on behalf of the Board of Trustees and the University, acknowledged her gratitude to the Sinkler family for its generosity and enduring connection to Penn.

Action..............8. A Resolution Authorizing the Sale of Property Located at 631 East Gravers Lane (“Wharton Sinkler Estate”), Springfield Township, Montgomery County, Pennsylvania, was approved as follows:

Intention:

In 1974 the University received a gift of a 31.94 acre estate located in Springfield Township, Montgomery County, Pennsylvania (the “Property”) from Mrs. Wharton Sinkler. The Property includes an estate house of approximately 24,000 gross square feet, as well as an “English Village” comprised of a farmhouse, a carriage house, an imported English cottage, and various buildings. The University has used the Property as a conference center and as a rental location for wedding ceremonies, receptions, and other functions. Continued operation of the Property for those purposes, however, has proved uneconomical.

The University therefore engaged a real estate broker/consultant experienced in the land asset management and marketing of large Philadelphia-area suburban estates for low-density residential development. The broker/consultant has proposed marketing the Property as a subdivision of from three to seven lots. It is anticipated that this approach would result in the construction of a maximum of four additional residences and potentially as few as no additional residences on the 31.94 acre tract. The development plan contemplates that the purchasers will subject their lots to conservation easements that would prohibit further development. Although the lots may not all be sold concurrently, and although it is impossible to predict with certainty the sale price of individual lots, the gross proceeds from the sale of all the lots and existing improvements are anticipated to be
between $3 million to $4 million. The proposed development plan should result in the University receiving a competitive price while respecting the unique character of the Property and preserving the low density residential quality of the neighborhood in which the Property is located.

RESOLVED, that the Executive Vice President or any other appropriate officers of the University be and hereby are authorized to proceed with the subdivision of the Property into three to seven lots and the sale and conveyance of the Property on a lot-by-lot basis at prices such officers determine are reasonable, and to proceed with the execution and delivery of purchase agreements on such other terms and conditions as such officers may deem appropriate, as well as deeds, and all necessary affidavits and other documents required in connection with such sales and conveyances, and that any actions heretofore taken by such officers in furtherance of the purposes of this Resolution are hereby ratified and affirmed.

D. Development - Mr. Shoemaker

Mr. Alvin Shoemaker reported on the extraordinary success of fundraising during fiscal year 1998. Year-end results exceeded Penn's most optimistic projections; nearly $316 million was received in gifts and pledges, a 49% increase over the previous year and $55 million beyond the original target. Cash receipts totaled nearly $200 million, and annual funds generated a record-setting total of $23.4 million.

Mr. Shoemaker continued by noting that the University's fundraising goal for fiscal year 1999 is $300 million, with a strong emphasis on Agenda for Excellence priorities. Sixty percent of all gifts and grants last year were for Agenda priorities, and Penn has made that percentage the benchmark for this year as well. First quarter results have been outstanding and demonstrate the continued solid growth in Penn's development program. Total gift commitments to date for the year exceed $55.4 million, a 104% increase over last year at this time. Mr. Shoemaker noted that the University's top fundraising priorities for this year include undergraduate financial aid, the academic initiatives in American and comparative democratic legal institutions and information science and technology; and new Wharton and Biology buildings. Two important gifts have recently been announced that will have an impact on several of these priority areas: the Annenberg Foundation's $10 million gift, which President Rodin announced this morning, will be divided between scholarships and the American and comparative democracies initiative; and trustee Carolyn Lynch and her husband, Peter Lynch, have made a $2.8 million commitment to SAS for a new biology facility and the creation of an endowed scholarship fund.

In the Development Committee's ongoing efforts to learn more about the Agenda priorities, the Committee heard yesterday from Dean Thomas Gerrity about plans and funding progress for Wharton's new teaching facility. When completed, noted Mr. Shoemaker, it will clearly have a dramatic impact on teaching and research.

In conclusion, Mr. Shoemaker remarked that despite the recent turbulence in the market, Penn is maintaining the momentum and direction of its fundraising program. On behalf of the
Development Committee, he thanked the Board of Trustees for their advice, support, and advocacy for Penn's priorities.

E. External Affairs - Mr. Lauder

Mr. Lauder reported that the External Affairs Committee received a report on government affairs, encompassing the City, Commonwealth, and Federal governments. Mr. Lauder added that the University has an excellent relationship with all three constituencies, and the administration should be congratulated on their work toward this end. He continued by noting that a portion of the government affairs report was dedicated to a review of the new Higher Education Reauthorization Act. Mr. Lauder also noted that the Commonwealth has granted Penn $36.5 million, primarily to support the School of Veterinary Medicine, with smaller portions dedicated to the School of Medicine and the School of Dental Medicine.

The Committee also met with administrators involved with the University of Pennsylvania Press, the first such meeting since 1981. Mr. Lauder pointed out that of 116 members of the American Association of University Presses, Penn ranks 12th, having published 72 titles over the fiscal year, increasing sales 13.4% over the previous year, and increasing sales 28.5% over the previous three years. Mr. Lauder remarked that he looks forward to the time when he can report to the Board that Penn is the number one university press in the nation.

Finally, the Committee met with five editors and reporters from the *Daily Pennsylvanian*. Mr. Lauder noted that the meeting as one of the best that the Committee had ever had and described the *Daily Pennsylvanian* representatives as some of the most articulate, passionate, and responsible members of the academic community. Members of the *Daily Pennsylvanian* team also are dedicated, spending between 40-50 hours per week on the paper, in addition to their academic coursework. Mr. Lauder extended his congratulations to all of the staff members of the *Daily Pennsylvanian* on their superb team.

F. Investment Board - Mr. Riepe

Mr. Riepe reported that the Investment Board continues to meet with the University's Investment Office to review the portfolio structure of the endowment and the asset allocation. The September quarter was not a good one in the markets generally, with the S&P 500 and the domestic equities market being down approximately 10%. Value stocks and lower P/E value-oriented stocks which Penn holds in its portfolios were off even more. International equities were off over 14% during the third quarter, particularly noticeable given Penn's 12% commitment to that category of stocks. Bonds performed well over the quarter, providing some cushion for the entire portfolio. Overall, the Associated Investments Fund declined approximately 8% over the third quarter, and the endowment declined to a value of just over $2.7 billion, down from its high of over $3 billion at the conclusion of the second quarter.

Mr. Riepe commented that the worldwide markets continue to experience much uncertainty, and thus remain quite volatile, certainly in the short-term. The Investment Board and
the Investment Office believe that Penn's managers' value orientation of the portfolios will serve the University well in this environment, notwithstanding the third quarter, and Penn will continue to examine other opportunities, such as the private equity area.

G. Facilities and Campus Planning, Neighborhood Initiatives, and Student Life - Dr. Chisum

Dr. Chisum reported that the three issues examined during the joint meeting of the Facilities and Campus Planning, Neighborhood Initiatives, and Student Life Committees were the renewal of the College House System, the renewal of on-campus housing and dining services that support the College House System, and community initiatives and quality-of-life initiatives in the Hamilton Square area. Dr. Chisum noted that a briefing paper on these initiatives was mailed to the members of the three Trustee committees, and she recommended that the paper be distributed to all trustees. In addition to the points covered in the briefing materials, Dr. Chisum mentioned that the College House System is up and running, with occupancy in the on-campus residences at 99.3% and a waiting list for some categories of housing. Each of the houses has program plans under way, and the wheel academic support program is functioning in all 12 of the College Houses. An additional support "spoke" of the wheel program, involving career services, is being piloted in five of the Houses. Two-hundred-and-fifty non-resident faculty associates are active with the wheel program thus far, and four courses are scheduled to be held in the Houses. During the meeting, Dr. David Brownlee, Director of College Houses and Academic Services, described several of the programmatic plans for the Houses. The Committees also reviewed the 10-year program of renovation and construction that will encompass the renewal of on-campus housing and dining services. Funding for the renewal program is anticipated to come from development efforts and from several internal sources that have been tentatively identified. The Hamilton Square developments that were highlighted in the briefing paper will be complimented by augmented support from the University City Special Services District and dedicated security provided by the Philadelphia Police Department, as well as from our own resources. Funding for the Hamilton Square developments are expected to come from internal and tax-exempt sources.

H. Alumni Report - Mrs. Howard

Mrs. Elsie Sterling Howard reported that the alumni trustees met yesterday and welcomed Penn's new Director of Alumni Relations, Dr. Martin Rapisarda, who will officially take up office in Sweeten Alumni House in early December. The alumni trustees also learned at their breakfast meeting of the tightened timeline for development of new on-line services created by Development and Alumni Relations, including lifelong forwarding of e-mail for all alumni by Alumni Weekend 1999. Mrs. Howard, on behalf of the University of Pennsylvania Alumni Society, extended her thanks to Mr. William Schawbel for his years of service as an alumni trustee. Mrs. Howard, again on behalf of the Alumni Society, also welcomed alumni from around the world back to the Penn campus for Homecoming 1998 with a series of leadership programs and general activities, including the community service project, PennCares. Tonight, the Alumni Society will confer its highest honor, the Alumni Award of Merit, on seven outstanding Pennsylvanians, presented by seven equally outstanding trustees.

Most recently, 400 alumni and friends joined "Penn on the Road" in Washington, with alumni panelists Ms. Andrea Mitchell and Mr. Stephen Smith, Editor of *U.S. News and World*
Report, as well as Dean Kathleen Hall Jamieson of the Annenberg School. Mrs. Howard announced that the next "Penn on the Road" will be held at the Pratt Museum in New York City on November 10, 1998. Finally, Mrs. Howard noted that the Alumni Society would recognize tonight at the Alumni Awards of Merit Gala the Classes of 1959 and 1993 for newsletter and class awards.

V. Appointments to Overseer and Other Boards

Action...........1. A Resolution on Reappointments of Alice Saligman Brinkmann and Carolyn Korman Jacobs to the Advisory Board of the Institute of Contemporary Art was approved as follows:

RESOLVED, that Alice Saligman Brinkmann and Carolyn Korman Jacobs be reappointed to the Advisory Board of the Institute of Contemporary Art for three-year terms, effective October 30, 1998.

Action...........2. A Resolution on Appointments of Edward W. Barry and Harold S. Rosenbluth to the Board of Overseers of the University Libraries was approved as follows:

RESOLVED, that Edward W. Barry and Harold S. Rosenbluth be appointed to the Board of Overseers of the University Libraries for three-year terms, effective October 30, 1998.

Action...........3. A Resolution on Appointments of Robert L. Stevens to the Board of Overseers of the School of Social Work was approved as follows:

RESOLVED, that Robert L. Stevens be appointed to the Board of Overseers of the School of Social Work for a three-year term, effective October 30, 1998.

Action...........4. A Resolution on Appointments of Anil D. Ambani and Lakshmi Mittal to the Board of Overseers of the Wharton School was approved as follows:

RESOLVED, that Anil D. Ambani and Lakshmi Mittal be appointed to the Board of Overseers of the Wharton School for three-year terms, effective October 30, 1998.

There being no further business to come before the Board, the meeting was adjourned at 3:00 p.m.

Respectfully submitted,

Rosemary McManus
Secretary of the University

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