I. Call to Order

A. Invocation. Rev. Stanley Johnson offered the invocation for the meeting.

B. Minutes. The Minutes of the Trustees’ Stated Meeting held June 10, 1994, were approved as written by the Secretary.

II. Chairman's Report

A. Commonwealth Report

1. Action. Mr. Shoemaker introduced a Resolution to Amend the Statutes to Add the Classification of Commonwealth Trustees in Accordance with Act No. 1994-25A (Appropriation Act for FY 1995). He reported that in late June the General Assembly passed Act No. 1994-25A, the appropriation act for the fiscal year ending June 30, 1995, which added the condition for receipt of all but the first quarter of Penn’s appropriation that the University include as trustees on its governing board four non-elected officials who are appointed by the President Pro Tempore of
the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives. Pursuant to Act No. 1994-25A, in order to receive the annual appropriation, the University would have to amend its bylaws to create a new category of Commonwealth Trustees. Mr. Shoemaker noted that the trustees looked forward to the Commonwealth trustees adding their commitment and energies as they and the other trustees work together on behalf of Penn.

Mr. Shoemaker added that the long-term question of Commonwealth support of private higher education is not resolved, and that even now, two task forces have been charged by the General Assembly to examine these issues. President Rodin serves on one of these, he noted. “Over the next few months, Penn will work closely with the State as the future relationship of the Commonwealth, higher education and Penn is discussed and as we craft together the most productive relationship as we move forward,” he concluded.

The resolution was approved as follows:

In Act No. 1994-25A, the Appropriation Act for fiscal year ending June 30, 1995, the General Assembly added a condition that the Secretary of Education shall not release more than the first quarterly payment of the appropriation until such time as the University includes as trustees on its governing board, four nonelected officials, who upon invitation by the trustees of the University, are appointed by the President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives.

RESOLVED, that Section 2.2 of the Statutes of the University is hereby amended to comply with Act No. 1994-25A by adding subsection (f), which shall read as follows:

(f) Commonwealth Trustees: four nonelected officials appointed by the following representatives of the Pennsylvania General Assembly: President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives, each of whom shall have the power to appoint one Commonwealth Trustee in accordance with Act No. 1994-25A.

B. Resignations

Before asking Mr. Miller for the Nominating Committee’s report, Mr. Shoemaker had two items to report. First, he noted that in June he had reported that Judge A. Leon Higginbotham, Jr. had resigned as a Charter trustee given the tremendous demands on his time. Mr. Shoemaker was happy to report that Judge Higginbotham agreed over the summer instead to revert to his former status as an Emeritus trustee.
Second, Mr. Shoemaker reported that term trustee Dr. Julius Chambers, who became the Chancellor of North Carolina Central University in late 1992, had resigned from the Board given the new commitments on his time. Mr. Shoemaker expressed the trustees good wishes for him in all his work and the hope that he will continue his involvement with Penn.

C. Nominating Committee Report - Mr. Miller

1. Chairman Succession. Mr. Miller began by praising Mr. Shoemaker’s accomplishments as chairman of the Board of Trustees, noting that he had exceeded even the very high expectations the trustees had had of him in 1985 when they determined he should be the next chairman of the board. Mr. Miller noted that the board would be expressing its thanks in more formal and informal ways during its January meetings, but until then noted how deeply appreciative the board was for all Mr. Shoemaker had done for the University.

As the chair of the trustee committee charged with identifying a successor to Mr. Miller as chairman in 1985, Mr. Dickey seconded Mr. Miller’s sentiments and spoke for everyone in expressing the enormous degree to which the University is indebted to Mr. Shoemaker, who was the trustees’ first choice to succeed Mr. Miller. It was Penn’s good fortune that Mr. Shoemaker accepted the chairmanship notwithstanding the demands on his time as chairman of First Boston, and since then, “he has never wound down--he gets better every year,” Mr. Dickey remarked.

(a) Action. A Resolution of Appreciation for Alvin V. Shoemaker was approved as follows:

The more than eight years that Alvin V. Shoemaker (W’60) has served as Chairman of the Board of Trustees of the University of Pennsylvania have been marked by the setting and achievement of new goals and the fulfillment of many dreams.

Al Shoemaker began his chairmanship in June 1986 by stating his commitment to undergraduate education, campus life and increasing alumni involvement. As he steps down as chairman, he leaves a legacy of accomplishments which will ensure continued success on all these fronts. The five-year Campaign for Penn, which he co-chaired, has been the most successful campaign in higher education, raising $1.33 billion with three months to go and tripling Penn’s endowment. The Campaign’s success ensures funding into the future for many of Penn’s academic programs and has added 142 endowed chairs to date. He was one of the prime movers behind the beautiful new Penn Club in New York, already a second home for many alumni and, as the New York Times has noted, the envy of the other Ivy League clubs. He founded the Trustees’ Council of Penn Women, sensing that more needed to be done to engage a broader spectrum of Penn’s talented alumni. His broad interests have made him an active and welcome presence across the schools and at athletic events, and he has also traveled many miles on Penn’s behalf. The countless hours he spent chairing the Presidential search committee in 1993 have led to the installation of an energetic new President committed to Penn’s leading the way into the 21st century.
Al’s dreams for Penn have been motivated by his pride in Penn and his high aspirations for it. That they have been achieved is a testament to his talents in communicating a dream to others, the respect others have for his forthrightness, his ability to make tough decisions, his energy, and his sense of humor. His ability to enlist others to a cause is best exemplified at home: his wife Sally, herself a Rosemont graduate, has become one of Penn’s leading citizens, serving as an overseer of the Museum, the Graduate School of Education and the Newman Center. Four-time Penn parents, he and Sally have both won the University’s abiding affection.

RESOLVED, that we show our appreciation, compliments and warmest thanks to Alvin V. Shoemaker, on our own behalf and on behalf of the entire University community, for his outstanding leadership.

Mr. Shoemaker was accorded a warm standing ovation, and Mr. Miller welcomed him to “the best title at the University: former chairman.” Mr. Shoemaker thanked all the trustees for their support over the past eight years, noting the tremendous amount of time the trustees give the University. He also thanked Barbara R. Stevens, Vice President and Secretary of the University, for her invaluable service to him and the University, and the entire Office of the Secretary for serving as his “right and left arms” during some demanding years.

Mr. Miller then reported that as the Nominating Committee sought over the last couple of years to persuade a distinguished member of this body to take on the responsibility of chairing the board, “It was natural to have these hopes for Roy Vagelos (C’50). It took a long time for us to finally persuade him that this was his next calling following his extraordinary career as a scientist and as chairman and CEO of one of the country’s great pharmaceutical companies. It has taken about a year and a half of constant discussion to persuade him to do this, and it is with great pleasure that I nominate him as our new chairman.”

(b) Action. Mr. Miller moved the Resolution on the Election of P. Roy Vagelos as Chairman of the Board of Trustees and Member of the Executive Committee, noting that the initial appointment was through June 30, 1995 only because the Statutes call for the annual reelection of the Chairman each June, and Dr. Vagelos would be assuming this role mid-term. The Resolution was approved as follows:

RESOLVED, that P. Roy Vagelos be elected Chairman of the Trustees and a member and the chairman of the Executive Committee, effective October 22, 1994, for the term ending June 30, 1995.

The trustees rose to applaud and congratulate Dr. Vagelos, Mr. Shoemaker presented him with the gavel, and Dr. Vagelos assumed the chairman’s seat for the remainder of the meeting.

2. Term Completions. Mr. Miller reported that the terms of two distinguished trustees, Joseph B. Glossberg and Sandra D. Williamson, would conclude at the end of the calendar year.
(a) **Action.** Introducing a Resolution of Appreciation for Joseph B. Glossberg, Mr. Miller highlighted the many and varied ways Mr. Glossberg has served Penn. The following resolution was then approved:

Joseph B. Glossberg (*W'63, WG'65*) has demonstrated energy, pragmatism, and unwavering commitment to the University of Pennsylvania during his two terms as Alumni Trustee. In addition to his valued service as a member of the Trustees’ External Affairs and Development Committees, he is a member of the Investment Board, contributing to the tremendous success of Penn’s investments over the past several years. He is also Chairman of the Board of Overseers of the University Libraries, which celebrated their one billionth acquisition this year.

A standout on many of Penn’s “special teams,” Mr. Glossberg is a founding member of the Alumni Council on Admissions, a member of the Publications Committee of the General Alumni Society, a director of the Penn Football Club, and a member of the Athletics Advisory Board. He has been a tireless leader of University alumni programs in the Midwest and class initiatives. His commitment to scholarship led him to establish the Joseph B. Glossberg Term Chair in Humanities.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves, the administration, faculty, students and alumni of the University, record their grateful appreciation to Joseph B. Glossberg for his distinguished service as a Trustee of the University.

Dr. Vagelos presented the Resolution to Mr. Glossberg, who was accorded a warm ovation.

(b) **Action.** Mr. Miller then introduced a Resolution of Appreciation for Sandra D. Williamson, noting the marvelous qualities she had brought to her service to Penn. The following resolution was then approved:

Successfully moving from banking to academia, Sandra D. Williamson (*CW'63*) has made the setting of new challenges for herself the hallmark of her professional career. She has brought that same commitment to new challenges to her work as a Trustee of the University of Pennsylvania. Penn is much the better for her unceasing efforts to help it achieve its potential as the university where students, faculty and staff of all backgrounds and nationalities can best fulfill their potential.

As a trustee, she has shared her banking acumen with the Budget and Finance Committee and her experience as a professor with the University Responsibility Committee. She has been a leading and committed member of the Trustees’ Council of Penn Women and its Committee on Institutional Advancement for Women, and also serves on Penn’s Secondary Schools Committee in Pittsburgh.
RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves, the administration, faculty, students and alumni of the University, record their grateful appreciation to Sandra D. Williamson for her distinguished service as a Trustee of the University.

Ms. Williamson received a warm ovation as she received the Resolution from Dr. Vagelos.

(c) Action. Finally, Mr. Miller introduced a Resolution on the Election of James S. Riepe, Chairman of the Trustees’ Audit Committee, as a Term Trustee. The resolution was approved as follows:

RESOLVED, that James S. Riepe be appointed a Term Trustee for a five-year term, effective January 1, 1995.

III. President's Report - Dr. Rodin

A. Comments

President Rodin reported that despite the flurry of inaugural activities, the new administration had been very hard at work, and she reported on several major initiatives already underway:

Undergraduate Education. President Rodin reported that the prior day she and the Provost announced the start of a major initiative to dramatically enhance the undergraduate experience at Penn. “We believe that the time has come to implement what we know to be a widely-shared vision of Penn’s distinctive collegiate identity and to realize the promise of past proposals and the full potential of past reforms... Now is a time for action, and act we will.” She described the process which will now be carried out under the leadership of the Provost and the academic deans of the four undergraduate schools as one that aims at nothing less than a fundamental transformation of the undergraduate experience at Penn in three years and a concrete realization the Penn community’s shared belief that undergraduate education at Penn must be institutionally distinctive, faculty centered, residentially integrated, interdisciplinary, inclusive and international, intellectually engaged, and research oriented. “By rapidly developing and implementing a model for a 21st century undergraduate education based on these principles, we plan to admit in the fall of 1997 and graduate in the year 2001 Penn’s first 21st-century class, “ President Rodin reported.

Safety and Security Master Plan. President Rodin then reported on safety issues, stressing that the physical safety of all members of the Penn community, whether on or off campus, has to be the University’s foremost non-academic priority. “No one can expect faculty, students or staff to pursue successfully the tasks of research and teaching in fear for their very safety.” She reported that her administration has directed the University’s Division of Public Safety to develop a long-term strategic plan to make the University community even safer. The University’s senior management is working quickly to prepare a comprehensive master plan for campus safety and security that integrates Penn’s interest in residential living and recognizes Penn’s role in the communities that bound the campus. President Rodin noted that she would be reporting to the campus community on its progress in the near future. Meanwhile, she said, the administration has
also intensified its already substantial efforts to ensure the safety of students, faculty, and staff. The University has conducted more than 75 safety seminars in the past six weeks, conducted a full lighting survey on campus and made several major adjustments, using recent high-profile incidents as a springboard for an intensive safety education and publicity effort while the campus community is receptive to the information. The University has also established a new level of cooperation with the 18th District Philadelphia Police which has enabled that District to increase the number of foot patrols and tactical squads.

Planning for Reinvestment in Penn. President Rodin next reported on the administrative restructuring initiatives announced in September. The University has broadened the charge to its educational practices consultants, Coopers & Lybrand, to ensure that its study of Penn’s administrative structures and processes provides a realistic foundation for rapid implementation and addresses the needs and concerns of the entire University community. By November, Coopers & Lybrand will submit a detailed report to the President, which she in turn will disseminate to trustees for comment and throughout the University community for discussion.

Capital Planning Process. President Rodin reported that her administration has also begun a careful review of the University’s capital planning process. As a first step, existing projects are being examined to ensure that they move Penn in the right directions, are well thought out, carefully planned, and realistically financed. At the same time, the full process by which Penn considers, plans and approves capital projects is being examined.

Contacts with Students, Faculty and Staff. The President reported that one of her major activities over the past three months has been meeting with and getting to know as many members of the Penn community as possible. She noted that she made a conscious effort to create situations in which she can have substantive conversations with groups of students, faculty, staff, and alumni, rather than just “meet-and-greet” events. She reported that she considers herself well informed and greatly benefited by those conversations, and that she expects this activity to continue throughout her presidency.

Health System. President Rodin reported that she is working closely with Dean Kelley in the continuing evolution of the University of Pennsylvania Health System, especially with the increasing numbers of physicians coming into the Clinical Care Associates, its provider network. These and the other components of the Medical Center represent an important focus of the administration’s attention as it plans Penn’s course into the 21st century, she reported.

Searches. Finally, President Rodin reported that the dean searches for the Graduate School of Education and the School of Veterinary Medicine are nearing completion. A number of senior administrative searches are also underway, including those for the Executive Vice President, the Vice President for Human Resources, the Director of Affirmative Action, and the Director of the African-American Resource Center. President Rodin was optimistic that these will all move ahead expeditiously as the process of assembling what she believes will be the best administrative team in higher education continues.

1. Action. A Resolution on the Francis C. Wood Professorship was approved as follows:
On March 11, 1983, the Trustees resolved that the Francis C. Wood Professorship in the School of Medicine be designated to be held by the Chair of the Department of Medicine. In order to retain flexibility, for example, in those cases where the Chair of the Department may already hold an endowed professorship, it is recommended that the professorship be available to be awarded to a distinguished professor within the Department of Medicine who need not be the Chair of the Department.

RESOLVED, that the Francis C. Wood Professorship of Medicine be and henceforth is designated as an endowed professorship to be held by a distinguished faculty member within the Department of Medicine of the School of Medicine.

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

1. Comments

   **Graduate School of Fine Arts.** The Provost reported that, as many of the trustees knew, he and the President had appointed Malcolm Campbell, a professor in the History of Art Department in the School of Arts and Sciences, as the Interim Dean of GSFA, and accepted the resignation of Patricia Conway as Dean. Professor Campbell’s appointment has been extremely well received at the School, where he is well known to the faculty, having enjoyed a long association with the School. “He is exactly the right person to help the School move to a new mission statement and self-study, in preparation for the renewal of its momentum under a permanent dean, whom we hope to appoint some time in the next year,” Provost Chodorow stated.

   **Ratings.** The Provost was pleased to report that *Business Week* had just named the Wharton School’s MBA program the best in the country. He noted that this first-place rating is in large part due to the new curriculum, which emphasizes globalization and teaches business not as a set of distinct disciplines but in a more integrated fashion. He took particular pleasure in noting that as part of *Business Week*’s survey, students in 44 MBA programs across the country were asked to rate their professors, and Wharton’s Jeremy Siegel, a Professor of Finance, received the highest rating in the country.

   **Awards.** Provost Chodorow reported that the Wharton School has received a $100,000 grant from the General Electric Foundation as part of GE’s “Faculty for the Future” program. This program is designed to increase the number of underrepresented minority and women faculty in schools of engineering, political science and business.

   The Provost also reported that Alan T. Johnson, Assistant Professor of Physics, has been awarded the David Packer Fellowship in Science and Engineering, of which there are only 20 in the country. Walter Engleander, the Jacob Professor of Medical Science in the Department of Biochemistry and Biophysics, will receive the 1994 Philadelphia Section Award of the American Chemical Society tomorrow night. Finally, Susan W. Catherwood, Vice Chairman of the Board of Trustees, will receive the 1994 Medical College of Pennsylvania’s Gimbel Philadelphia Award.
2. **Action.** Introducing the Resolution on Appointments, Leaves, and Promotions provided at pp. 8-23 of the meeting book, the Provost noted that among the appointments included in the resolution was the appointment of Dr. Rodin as a Professor of Psychology in the School of Arts and Sciences. The Resolution was approved upon motion duly made and seconded.

C. **Financial Report - Dr. Freeman**

Dr. Freeman presented the first financial report for the current fiscal year, containing the preliminary projections of the financial statement of the University’s unrestricted budget, and also the key statistical data for the restricted endowed and quasi-endowed funds, its gift funds and its grant and contract funds as of September 30, 1994. In addition, the report covered the operating performance of HUP and CPUP for the two months ending August 31, 1994, and the performance of Clinical Care Associates for the year ending June 30, 1994.

University - Unrestricted. Based on results for the three-month period ended September 30 and also on some data that is still preliminary, including Fall 1994 enrollment data, we project breakeven performance for the University’s unrestricted operations. Collectively, the schools and centers are projected with a surplus of $450,000, with three schools (Nursing, the Graduate School of Education and the School of Social Work) projecting surpluses and all other schools and centers projected to break even.

University - Restricted. Restricted expenditures for this three-month period increased by 8% as compared with the same period in the prior year. Endowment and Grant and Contract Fund expenditures increased by 7.6% and 9.6%, respectively, while Gift Fund expenditures decreased by 6.5%. The current balance available for grant and contract expenditures of is 3.8% lower than a year ago, and projected on a straight-line basis represents 7.2 months of expendable awards, slightly lower than the 8.3-month backlog available at June 30, 1993, a fairly normal variance.

HUP. For the two months ended August 31, on an unconsolidated basis, the Hospital shows an excess of revenue over expenditures which was $9.7 million better than budget. Income from operations exceeded budget by $9.96 million while non-operating revenue was $221,000 below budget.

CPUP. The Clinical Practices’ performance for the same two-month period, also on an unconsolidated basis, generated an excess of revenue over expenses which was $633,000 better than budget, and income from operations and non-operating revenues were $400,000 and $300,000 better than budget, respectively, while the clinical development expenses were $50,000 over budget.

Clinical Care Associates. For the fiscal year ended June 30, 1994, CCA had a deficit of $2.5 million, $0.5 million better than budget. The $1.4 million loss from operations, providing for practice acquisitions and timing differences, was $859,000 better than budget.

D. **Health System Report - Dr. Kelley**
Jonathan Evans Rhoads Pavilion. Dr. Kelley invited the trustees to join other members of the Penn community for the dedication of the new Jonathan Evans Rhoads Pavilion on October 26-27. He reported that this is the newest health care facility in the HUP complex, and that naming it for Dr. Rhoads is an opportunity for the Health System to recognize the monumental contributions of one of the University’s great faculty.

Clinical Care Associates. Dr. Kelley reported that the Health System is progressing extremely well in building its primary care network. It has now brought on board 51 primary care physicians and is actively negotiating with another 160 physicians.

Dr. Kelley noted that the Health System has a number of other initiatives underway, and is working with President Rodin to bring along the ambulatory care area, hospital relationships and the management services organization.

IV. Committee Reports

A. Academic Policy - Dr. Amodei

Dr. Amodei reported that the main item discussed by the Academic Policy Committee at its meeting that morning was a report by Provost Chodorow on the new administration’s plans for undergraduate education at Penn. The Committee found the report highly interesting. Some of the key points, as Dr. Rodin had noted in her report, were that the new undergraduate experience will integrate the academic programs with housing and social life. It will be institutionally distinctive, taking advantage of the interdisciplinary strengths and characteristics of Penn, faculty centered, research oriented. In this regard, there was discussion of the importance of ensuring that the education offered in the professional schools continue to take advantage of the liberal arts strengths in the School of Arts and Sciences while at the same time ensuring that students who graduate with a liberal arts degree are scientifically and technologically literate. The trustees’ comments included noting the importance of reexamining the budgetary process, which was viewed by many as sometimes creating barriers to efficiency and intra-school cooperation, and the Provost assured the Committee that this is being worked on. The trustees also noted the need to pay attention to the opportunities that have been opened up both in undergraduate and graduate education by the major advances in information technology, and again, the Provost assured that this is being considered. The trustees were impressed by and supportive of the Provost’s report.

1. Action. Dr. Amodei introduced a Resolution to Establish a Department of Biostatistics and Epidemiology in the School of Medicine, which was approved as follows:

The School of Medicine proposes the establishment of a Department of Biostatistics and Epidemiology to provide an academic base for teaching and research in epidemiological and biostatistical methods and to provide the necessary infrastructure required by a growing research enterprise.
Most grant applications now include a well-developed statistical section and often require biostatistics and/or epidemiology faculty members as investigators on a grant. Currently, Penn cannot be competitive as a coordinating center for large scale clinical trials because of the absence of a major biostatistics group. In order to achieve and maintain the critical mass of faculty biostatisticians needed to support its research and at the same time to enable the biostatisticians to keep current in the newest statistical methodologies and conduct some of their own research, a formal structure of academic support needs to be established. The new department will have four principal goals: to conduct primary research in the field of biostatistics and epidemiology; to provide training in biostatistics; to conduct applied epidemiological studies; and to participate in collaborative research with investigators from other departments.

RESOLVED, that in accordance with a proposal endorsed by the key administrative and academic bodies of the Medicine Center, including the Steering Committee of Department Chairs and the Standing Committee of Department Chairs and Directors of Centers and Institutes, as well as by the Chief Executive Officer of the Medical Center and Health System, the Health System Trustee Board Executive Committee, and the Trustees’ Academic Policy Committee, the Department of Biostatistics and Epidemiology be established in the University of Pennsylvania School of Medicine, effective November 1, 1994.
B. Audit - Mr. Riepe

Mr. Riepe reported that the Audit Committee met on October 10 and reviewed the draft financial statements for the University, HUP and CPUP for the year ending June 30, 1994. The Committee also heard a report from Mrs. Catherwood, the chair of the new Health System Audit Subcommittee, which was created to provide a more active and involved oversight of the entire Health System activities as they expand. In addition, the Committee heard reports (i) from Coopers & Lybrand on the results of their audits and (ii) from the University’s Internal Audit Department. The meeting also included an update on the work of the Accounting Task Force, which continues to do fine and important work, Mr. Riepe noted; discussed a draft policy on the safeguarding of University assets which has been in progress for some time and is near completion; and covered a number of tax issues relating to the University’s activities. In general, it was the Committee’s view that the financial controls within the University are good, and, most importantly, are continuing to improve, with the improvement of the resources being brought to bear.

C. Budget and Finance - Mr. Fox

Mr. Fox introduced the following resolutions, which Dr. Vagelos noted would be recorded as Executive Committee actions:

1. **Action.** A Resolution on a Supplemental Capital Budget Authorization for the Hospital of the University of Pennsylvania for Fiscal Year 1995 was approved as follows:

   In June 1994, the Trustees approved a capital budget authorization for the Hospital of the University of Pennsylvania for Fiscal Year 1995 in the amount of $55,869,500. In September 1994, the Trustees approved an additional capital expenditure item for $366,500, bringing the total capital budget authorization for Fiscal Year 1995 to $56,236,000.

   The Hospital proposes to supplement its capital budget authorization with an additional $80,632,000, covering annual capital routine items, multi-year facilities upgrades, chair commitments, and other expenditure items. This supplement, which has been approved by the Health System Trustee Board Executive Committee, will bring the total capital budget authorization for Fiscal Year 1995 to $136,868,000.

   RESOLVED, that the supplemental capital budget authorization of $80,632,000 for the Hospital of the University of Pennsylvania for Fiscal Year 1995 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, substantially in excess of the estimated cost of such items as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.
2. **Action.** A Resolution on Renovations to the Basement of the John Morgan Building for the Department of Pharmacology and the Institute for Environmental Medicine, Phase II, School of Medicine was approved as follows:

The School of Medicine proposes to renovate approximately 4,065 net square feet of space in the basement of the John Morgan Building to provide modern research facilities for the Department of Pharmacology and the Institute for Environmental Medicine. The estimated cost of the project is $1,854,700 and will be funded by the School of Medicine.

**RESOLVED,** that the renovation of space in the John Morgan Building, estimated to cost $1,854,700, 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, substantially in excess of the estimated cost of such renovations as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

3. **Action.** Resolution on Renovations to the Basement and First Floor of the John Morgan Building for the Department of Pharmacology, Phase III, School of Medicine

The School of Medicine proposes to renovate approximately 7,055 net square feet of space in the basement and on the first floor of the John Morgan Building to provide modern research facilities for the Department of Pharmacology. The estimated cost of the project is $1,144,000 and will be funded by the School of Medicine.

**RESOLVED,** that the renovation of space in the John Morgan Building, estimated to cost $1,144,000, be and the same hereby is approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such renovations as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

4. **Action.** A Resolution on the Purchase of the Library Access 2000 System was approved as follows:

Access 2000 is the University Library's program to upgrade academic information access and delivery systems. This will prepare the University for the diverse pattern of information resources and formats that are evolving in the international marketplace and will provide information storage and delivery capacities in a cost effective manner, using client/server, TCP-IP computer architecture. The project
is estimated to cost $3,368,800, of which $488,800 has been spent to date, and will be paid by the Library and general University funds.

RESOLVED, that the purchase of equipment, software and related expenses for the Library Access 2000 System, estimated to cost $3,368,800, 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, substantially in excess of the estimated cost of such purchase as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution, and that any actions heretofore taken by such officers in furtherance of the purposes of this resolution are hereby ratified and affirmed.

5. Action. A Resolution on the Purchase of a Silicon Graphics Computer System for the Center for Molecular Modeling, Department of Chemistry, School of Arts and Sciences was approved as follows:

The School of Arts and Sciences proposes to purchase a Silicon Graphics computer system to support interdisciplinary research programs in the Center for Molecular Modeling, which is based in the Department of Chemistry. The estimated cost of the system is $273,600 and will be funded by the School of Arts and Sciences.

RESOLVED, that the purchase of a Silicon Graphics computer system, estimated to cost $273,600, 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, substantially in excess of the estimated cost of such purchase as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

D. Facilities and Campus Planning - Mr. Tanenbaum

Mr. Tanenbaum reported that the Facilities and Campus Planning Committee met during the lunch hour earlier in the day and was joined by a number of other trustees. The Committee enjoyed lively discussion on (1) potential land acquisitions, including financing devices to facilitate their accomplishment; (2) development issues, including the need for residential development for both students and faculty; and (3) a brief discussion of the costs for campus construction. Subcommittee members will be assigned responsibility to work with the administration on each of these subjects in between Committee meetings, and the Committee will report back at future meetings on the status of these projects.

E. Internationalization - Mr. Palmer
Mr. Palmer reported that there was a full complement of participants at the meeting of the Committee on Internationalization held that morning. The Committee (1) heard from its new student liaisons on their backgrounds; (2) received and discussed a report from Provost Chodorow on international education at Penn; (3) received an update from Dr. Randolph on the University’s internationalization activities; and (4) heard a report from Penn’s most internationalized entity, the Museum of Archaeology and Anthropology. Dr. Sabloff, the new Director of the Museum, gave an enlightening report on activities at the Museum, and interesting discussion followed. In addition, the Committee received reports from its faculty liaisons, one of whom described the new and highly competitive joint program for undergraduates between the School of Arts and Sciences and the Wharton School. The 29 students admitted to the program live together, and the program has been a great success to date.

F. Investment Board - Mr. Neff

1. Comments. Mr. Neff directed the trustees’ attention to the Investment Report provided in the meeting book. The report showed that at October 13, 1994, the market value of Associated Investment Fund (AIF) was $1.091 billion and the value of the total endowment, including the separately administered trusts, $1.507 billion. By contrast, the values of the AIF and the total endowment 15 years ago, at December 31, 1979, were $133.9 million and $200.5 million, respectively. The difference has essentially been “earned in the crucible of the marketplace,” Mr. Neff reported. Only a little over $100 million of the AIF’s increase is attributable to net cash flow, with the other nearly $900 million earned in the market. The annualized return from December 31, 1979, was a 15.3% compounded rate for the AIF and 18.3% for the common stocks, a success that his firm does not believe will be replicable over the next 15 years.

Investment income increased in this same 15-year period from $9.35 million at December 31, 1979 to $62.5 million at October 13, 1994. About $50 million of this went into the budget, where it had an impact on spending under the spending rule. The endowment is also important to Penn’s debt ratings, currently AA/Aa, and the US News & World Report calculations of endowment per student.

Currently 53% of Penn’s investments are in common equities, up from 44% at December 31, 1993. Most of this is invested in automobiles, with large positions in Chrysler and Ford. The Board has also been giving up some of its basic commodities cyclical positions in steel and chemicals as the market has embraced these, Mr. Neff reported. Profits in these have not been spectacular, but rather “good journeyman profits,” he said.

Mr. Neff reported that for the NACUBO year that began July 1, 1994, performance has been poor. Penn’s equities have returned only 2.3%, compared to 6.2% for the S&P 500, putting Penn’s investments 390 basis points behind. Mr. Neff suggested that interest sensitivity, imagined or real, might be a large reason for this slow start. Annualized since December 31, 1979, Penn’s equities have returned 18.3%, versus 14.8% for the S&P 500, giving Penn a 350-basis point edge per year. The Board hopes to return to the 400-basis point edge it considers Penn’s natural position.
2. **Action.** Mr. Neff introduced a Resolution on the Clarification of Investment Board Resolution Dated October 21, 1982, which resolution would clarify policies and procedures relating to derivatives. Because there has been recent negative publicity about abuses in this area, Mr. Neff stressed that Penn employs derivatives only in their legitimate uses, in offsetting risks. Mr. Worley added that derivatives have been profitable for Penn, and explained that as part of the derivative market tightens up, derivative dealers are seeking to ensure that the persons with whom they are dealing have proper authorization to do so. Derivatives, he noted, are “part of our future,” and they can be combined with another security to make a package that is more attractive than the package would be sold in “plain vanilla form.” He emphasized that his firm would not use any derivative to take a portfolio risk that it manages outside of the range that could otherwise be achieved within its investment guidelines. Rather, derivatives will be used only when they are a less expensive way to establish those positions.

Accordingly, the following resolution was approved:

On October 21, 1982 the Investment Board passed a resolution authorizing certain persons to act to implement all decisions and actions of the Investment Board, which resolution, as updated to reflect changes in title since that time, reads in part as follows:

RESOLVED, that any of the following: the President, the Provost, the Executive Vice President, the Vice President for Finance, the Treasurer, any Associate or Assistant Treasurer, the Cash Manager, the Director of Investments, any Associate or Assistant Director of Investments and the Secretary of the Investment Board be and hereby is authorized and empowered, for and on behalf of the University, to execute, acknowledge, and deliver any and all deeds, conveyances, assignments and transfers necessary or proper to implement and effect any and all decisions and actions of the Investment Board, including, without restricting the generality of the foregoing, decisions to buy, sell, exchange, deliver, trade and deal in and with any and all real estate and securities and other investments, including, without restricting the generality of the foregoing, any and all stocks, bonds, debentures, certificates, notes, evidences of indebtedness, subscription and stock purchase warrants, commercial paper, mortgages, insurance policies of all kinds, futures and options on futures, and interests of whatsoever kind and nature, whether owned by the University in its corporate capacity or held by it as trustee.

The Investment Board wishes to clarify the October 21, 1982 resolution.

RESOLVED, that the October 21, 1982 resolution is clarified so as to specifically include derivatives (i.e., swaps, options, forward rate agreements and foreign exchange and forward transactions) as “securities and other investments” under the
meaning of the Resolution and that all other provisions of the October 21, 1982 resolution shall continue in full force and effect and are hereby ratified and affirmed.

V. Overseer and Other Boards

The following resolutions were approved:

RESOLVED, that Ralph S. Saul, Esq. be appointed to the Board of Overseers of the Graduate School of Education for a three-year term, effective October 20, 1994.

RESOLVED, that Anthony J. Buividias and Joseph R. Carver, M.D. be appointed to the Board of Overseers of the School of Nursing for three-year terms, effective October 20, 1994.

RESOLVED, that Florence R. Hart be appointed to the Board of Overseers of the School of Social Work for a three-year term, effective October 20, 1994.

RESOLVED, that Jerome B. Apfel, Esq. be appointed to the Advisory Board of the Annenberg Center for a three-year term, effective October 20, 1994.

RESOLVED, that Mary Feldman be appointed to the Advisory Board of the Institute of Contemporary Art for a three-year term, effective October 20, 1994.

VI. Adjournment

Before adjourning the meeting, Dr. Vagelos noted that he hoped all the trustees would be joining Penn’s faculty for the keynote event of the inaugural ceremonies, the Faculty Symposium, which would begin at 3:30 pm at the Museum, and also for the Trustees’ reception in honor of Penn’s faculty following the Symposium.
There being no further business to come before the meeting, it was adjourned.

Respectfully submitted,

Barbara Ray Stevens
Vice President and Secretary
of the University