Minutes of Meeting of
the Executive Committee of the
Trustees of the
University of Pennsylvania
December 13, 1996

A meeting of the Executive Committee of the Trustee of the University of Pennsylvania was convened at 11:10 a.m. Friday, December 13, 1996, in the Club Room, Faculty Club. Trustees present were Susan W. Catherwood, Gloria Twine Chisum, Robert A. Fox, Elsie Howard (via conference call), Natalie Koether, Paul Miller (ex officio), John Neff, Judith Rodin (ex officio), Myles H. Tanenbaum, and P. Roy Vagelos (chair). Others attending included Andrea Ahles, Jennifer Baldino, Al Beers, Michael Burton, Stanley Chodorow, John Fuller, John A. Fry, Stephen Golding, Constance C. Goodman, Shelley Z. Green, Robert Helfman, Jason E. Horger, William N. Kelley, Edward Resovsky, Carol R. Scheman, Barbara R. Stevens, Duncan Van Dusen, and Kenneth Wildes.

I. Call to Order - Dr. Vagelos

A. The minutes of the meeting of September 13, 1996 were approved as distributed.

II. President's Report - Dr. Rodin

A. Comments

President Judith Rodin announced that members of the recently formed Penn National Commission on Society, Culture, and Community met earlier in the week on campus for its first plenary session. The Commission, formed out of the belief that universities have a real responsibility to bring academic resources and expertise to bear on contemporary social issues, explored problems including the current explosions of incivility, extremism, and social fragmentation in America and the world. The president explained that the Commission is comprised of national and international leaders in academe, politics, media, and cultural and social arenas and will meet over the next three to five years. President Rodin commented that the Commission's ideas will be tested and shared through a variety of on-campus activities and in publications and multi-media materials, making the Commission a unique resource and contributor to the Penn community and beyond. An overview of the first meeting of the Commission and a list of its membership are printed in the December 10, 1996 Almanac.

President Rodin also reported on the recent residential lighting initiative which was unveiled at a press conference one and one-half weeks ago. She explained that current street lighting effectively lights the streets but leaves sidewalks dark, so Penn sought a way to light the sidewalks in front of every house, curb to door, from dusk to dawn. President Rodin thanked Vice President for Government, Community and Public Relations Carol Scheman and her colleagues, a collective of community associations known as the West Philadelphia Partnership, an electricians' union, PECO Energy, and the City of Philadelphia for their combined efforts in quickly, efficiently, and cost-effectively lighting up the 4100 block of Pine Street as a demonstration block for this innovative residential lighting program. The president announced that the goal is to literally light up University City house by house and street by street with a program of matching grants, which will be administered by the West Philadelphia Partnership, and funded through donations from area landlords as well as Penn support, allowing homeowners to install this lighting for their own homes.

In addition to the lighting initiative, President Rodin noted many of the recent improvements to the Hamilton Village Shops on 40th Street. During the first part of the multiphase effort for 40th Street, Penn has repaired sidewalks and planted and lighted trees, as well as painting the building that will soon house the Division of Public Safety. Weekend sidewalk cleanings have begun; new, clear signs will be placed; and additional street lighting is planned. President Rodin expressed her appreciation for the
extraordinary efforts of the 40th Street Task Force comprised of Penn employees, which is taking a great deal of their own time to attend to the improvement of the 40th Street area.

Finally, President Rodin thanked Dr. Vagelos and all of the trustees for their support and counsel during the challenging and productive fall semester.

In response to a question from Dr. Vagelos on the costs of the lighting initiative, President Rodin remarked that Penn is getting estimates on the total costs but noted that the lighting costs for the pilot block were quite low. She also said that the financial support from the local landlords has been wonderful. Dr. Vagelos commented that lighting up University City is the most important step toward increasing safety for Penn and its neighbors.

Mr. Miller asked about the source of funds for supporting the Penn Commission's staff, and Dr. Rodin responded that funds had been procured from a private donor.

B. Academic Report - Dr. Chodorow

Provost Stanley Chodorow announced the latest Fulbright recipients: Dr. Magda El Zarki, Associate Professor, Department of Electrical Engineering, is a specialist in telecommunication networks and will study at Cairo University; and Dr. John L. Puckett, Associate Professor, Graduate School of Education, is a specialist in American Culture and Education and Education and Economic Development and will study at the University of Magdeburg, Germany. In response to a question from Dr. Vagelos about Penn's Fulbright Award performance in comparison with other schools, the provost stated that Penn does as well as or better than many of its peers and is an international force in terms of our numbers of international visitors, both of students and faculty who go abroad. Dr. Chisum asked the provost if Dr. Carroll Smith-Rosenberg, Professor of Religious Studies, is leaving Penn, and Provost Chodorow noted that she has, in fact, resigned to accept an endowed chair at the University of Michigan.

Provost Chodorow announced that Dr. Frank Furstenburg, Professor of Sociology, has been elected to the Institute of Medicine. Professor Furstenburg is one of the leaders at Penn who is taking students into the neighborhoods surrounding the campus and developing projects in community service learning. Professor David Farber, Department of Computer and Information Sciences, received the John Scott Award, given to persons who have made scientific or research discoveries; Professor Farber was awarded the prize as a seminal contributor to the modern computer network. Dr. Vagelos noted that Dr. George Heilmeier, a Penn alumnus and SEAS Overseer, shared the John Scott Award for his invention of the liquid crystal.

The provost reported that Penn has taken a large step toward reconstructing the Institutional Research Office by appointing Dr. Bernard Lentz as the Director of Institutional Research and Analysis, reporting to Deputy Provost Michael Wachter. Dr. Lentz comes to Penn from Ursinus College where he currently serves in a similar position as well as serving as Chair and Professor of Economics and Business Administration. Dr. Lentz holds an M.A. and Ph.D. in Economics from Yale, and beginning January 2, 1997, he will direct a staff providing institutional research in support of the policy and planning goals of the University, particularly the review of schools as called for in the Agenda for Excellence.

Provost Chodorow also noted that 15 students were recently appointed to an Undergraduate Advisory Board (UAB) to the 21st Century Project; the UAB will work with the Council of Undergraduate Deans, who have oversight for the Project, and the provost by offering suggestions and soliciting opinions in order to seek the broadest possible consultation on the 21st Century Project goals. The students were nominated by their peers, including the Undergraduate Assembly (UA), the Student Committee on Undergraduate Education (SCUE), and the Nominations and Elections Committee (NEC), as well as by the four undergraduate schools. The provost added that he recently spent two nights in one of the residence halls, and he came away from some extended discussions with many excellent ideas for the 21st Century Project.

The provost asked for action on the resolution on faculty appointments and promotions.
Action.........1. The Resolution on Faculty Appointments and Promotions, printed at pp. 2-35 of the meeting book was approved.

C. Financial Report - Mr. Fry

Mr. Fry reported that the FY 1996 audited financial statements were reviewed in draft and approved by the Trustee Committee on Audit at its November 1, 1996 meeting. The statements, which were prepared in accordance with the new financial statement display requirements mandated by the Financial Accounting Standards Board, were presented to the Trustee Committee on Budget and Finance earlier this morning; the statements reflect a $251 million increase in net assets during the year. As stated at the October 1996 Stated Meeting of the Trustees, Mr. Fry will provide a year-to-date FY 1997 financial report for the University at the January 1997 meeting of the Trustees, at which time a new reporting format will be used. This new reporting format will be provided on a quarterly basis. Mr. Fry noted, however, that he has reviewed many of the key elements which impact on the University’s financial performance, and the results of this analysis suggest that the University will achieve at least balanced operating performance for FY 1997.

D. Health System Report - Dr. Kelley

Dr. William N. Kelley announced the recruitment of two individuals. Dr. Maureen McCausland will join the University on January 1, 1997 as the Chief Nursing Executive of the University of Pennsylvania Health System and the Associate Dean for Nursing Practice of the School of Nursing. She comes to Penn from Mount Sinai Hospital in New York City, where she has served as Vice President for Nursing for the past three years. Dr. McCausland will be responsible for the Nursing profession and its professional development throughout the Health System and for the interface with the School of Nursing. Secondly, Mr. Ward Keever arrived at the Health System this week as the new Chief Information Officer. Mr. Keever was previously at Christiana and the Delaware Medical Center, where he was largely responsible for establishing it as a national model for information systems within health care institutions.

Dr. Kelley reported that he has just learned from the AAMC that, of the 126 medical schools in the U.S., the University of Pennsylvania recorded the highest growth in absolute dollars in funding from the NIH for the first five years of this decade.

Dr. Kelley also noted that Penn Medicine at Radnor opened several weeks ago and will be at its full level of activity early in 1997. Marketing and advertising for Penn Medicine at Radnor will begin in the Spring of 1997.

Finally, Dr. Kelley proudly announced that Pennsylvania Hospital has decided to partner with the University of Pennsylvania Health System, and the details of a long-term relationship with Pennsylvania Hospital are under discussion currently.

III. Trustee Committee Reports

A. Budget and Finance - Mr. Fox

Action.........1. A Resolution on the Acquisition of King of Prussia Family Practice, P.C. was approved as follows:

Intention:

Management of Clinical Care Associates of the University of Pennsylvania Health System (“CCA”) proposes to cause CCA to acquire King of Prussia Family Practice, P.C., a family practice physician practice in King of Prussia, Pennsylvania.
The Board of CCA and The Trustees of the University of Pennsylvania, as sole member of CCA, have adopted a Primary Care Practice Acquisition Approval Process establishing a policy on the required approval process for primary care physician practice acquisitions by CCA. In accordance with such policy, the acquisition of King of Prussia Family Practice, P.C. requires approval of the CCA Board, the University of Pennsylvania Health System Trustee Executive Committee, the Budget and Finance Committee of the University of Pennsylvania Trustee Board, and the Executive Committee of the University of Pennsylvania Trustee Board. The CCA Board and the University of Pennsylvania Health System Trustee Executive Committee have approved the acquisition.

RESOLVED, that CCA is hereby authorized to acquire King of Prussia Family Practice, P.C., in accordance with the Primary Care Practice Acquisition Approval Process, and to negotiate, execute, deliver and perform definitive agreements regarding such transaction, with such additional terms and changes as the Senior Executive, the Executive Director, the Senior Medical Director, and the Director of Physician Recruitment and Network Development and each of them considers appropriate and in the best interest of CCA; and

FURTHER RESOLVED, that the Senior Executive, the Executive Director, the Senior Medical Director, and the Director of Physician Recruitment and Network Development and each of them is hereby authorized, in the name and on behalf of CCA, to take such further action and to negotiate, execute, deliver and perform such agreements and additional documents, consents, certificates and instruments as such officer may determine to be necessary, appropriate or desirable to carry out the purposes of the foregoing resolutions, such determination to be conclusively evidenced by the taking of such action or the execution of such documents.

Action........2. A Resolution on the Acquisition of Hamilton Pediatric Associates, P.A. was approved as follows:

Intention:

Management of Clinical Care Associates of the University of Pennsylvania Health System (“CCA”) proposes to cause CCA to acquire Hamilton Pediatric Associates, P.A., a pediatric physician practice in Mercerville, New Jersey.

The Board of CCA and The Trustees of the University of Pennsylvania, as sole member of CCA, have adopted a Primary Care Practice Acquisition Approval Process establishing a policy on the required approval process for primary care physician practice acquisitions by CCA. In accordance with such policy, the acquisition of Hamilton Pediatric Associates, P.A. requires approval of the CCA Board, the University of Pennsylvania Health System Trustee Executive Committee, the Budget and Finance Committee of the University of Pennsylvania Trustee Board, and the Executive Committee of the University of Pennsylvania Trustee Board. The CCA Board and the University of Pennsylvania Health System Trustee Executive Committee have approved the acquisition.

RESOLVED, that CCA is hereby authorized to acquire Hamilton Pediatric Associates, P.A., in accordance with the Primary Care Practice Acquisition Approval Process, and to negotiate, execute, deliver and perform definitive agreements regarding such transaction, with such additional terms and changes as the Senior Executive, the Executive Director, the Senior Medical Director, and the Director of Physician Recruitment and Network Development and each of them considers appropriate and in the best interest of CCA; and

FURTHER RESOLVED, that the Senior Executive, the Executive Director, the Senior Medical Director, and the Director of Physician Recruitment and Network Development and each of them
is hereby authorized, in the name and on behalf of CCA, to take such further action and to negotiate, execute, deliver and perform such agreements and additional documents, consents, certificates and instruments as such officer may determine to be necessary, appropriate or desirable to carry out the purposes of the foregoing resolutions, such determination to be conclusively evidenced by the taking of such action or the execution of such documents.

Action........3. A Resolution on Incremental Funding for Penn Medicine at Radnor for the Health Services Component of the University of Pennsylvania Health System was approved as follows:

Intention:

The University of Pennsylvania Health System seeks the approval to increase funding for the Off-site Ambulatory Care Building known as Penn Medicine at Radnor by $5,071,000. This expenditure would increase the current authorization of $35,050,000, approved by the Trustees on June 16, 1995, to $40,121,000. This increase is necessary to support program additions and modifications that have emerged as the project has developed, to cover the cost of construction delays caused by zoning appeals, and to underwrite start-up costs associated with recruitment, marketing, operational, and business planning activities. This funding request is made budget neutral by reducing previously approved but unspent authorizations.

RESOLVED, that an additional $5,071,000 for the capital budget of Penn Medicine at Radnor 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 a Fiscal Year 1997 Capital Budget Item for the Health Services Component of the University of Pennsylvania Health System was approved as follows:

Intention:

The University of Pennsylvania Health System seeks the approval to acquire property located at 3020 Market Street in Philadelphia, Pennsylvania for $5,850,000 and to incur related renovation costs of $15,855,000 for a total funding request of $21,705,000. The building has 227,000 gross square feet plus a heliport, or 175,000 leasable square feet on seven floors including a basement. Approximately 40,000 square feet is currently leased to two tenants. The building is in good condition, with solid infrastructure and building systems, minimal code violations and no asbestos. The property could accommodate approximately 100 cars for parking at-grade (five are leased to one of the existing tenants). Additional parking is available at a variety of nearby public parking lots. Access to public transportation is excellent, with 30th Street Station one block away, and subway, trolley, and bus routes in the same block.

The renovation costs include infrastructure upgrades for information systems and telecommunications, base building improvements, tenant fit-out, and other projects costs (i.e., furniture, fees, moving, etc.). This will allow the relocation and growth of University of Pennsylvania Health System corporate finance functions into one facility, thus enhancing opportunities for operational effectiveness and efficiency including the elimination of third party lease arrangements. The Health System currently leases approximately 234,000 square feet of space, principally from the University City Science Center (“UCSC”) at an annual cost of $3 million, excluding utilities, housekeeping, and security costs. Further, this acquisition coupled with space made available through relocations will allow decompression of Medical Center space for clinical and hospital program expansion. Occupancy at 3020 Market Street will permit the relocation of 88,000 square feet of currently leased space for an annual expense savings of $1 million.
Existing back office Accounting, Billing, and Physician Billing Information System support are disparately located throughout UCSC properties and 3930 Chestnut Street. The latter is an owned Health System building containing Human Resources, Purchasing, HUP and PMC Accounting and Billing, and other Administrative activities. The 3020 Market Street facility will allow Accounting and Billing activities for HUP, PMC, and CPUP (which is in the process of centralizing back office Accounting and Billing Functions), and Physician Billing Information Systems to be relocated so that adjacencies can be realized. Further, this facility will permit future consolidation and growth as hospital corporate affiliations occur, including the opportunity to consolidate CCA and CPUP Physician Billing. Incremental costs associated with such future consolidation and growth will be brought forward for approval as they occur.

Space at 3020 Market Street or vacated space at 3930 Chestnut Street will be used to consolidate and expand several nonclinical programs including linen handling, the Penn Care at Home Program, a Health System-wide Physician Call Center, CPUP Administration (non-financial), and Health System Human Resources.

RESOLVED, that an additional $21,705,000 for the acquisition of the property located at 3020 Market Street in Philadelphia, Pennsylvania and for related renovation costs 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 110% of the estimated cost as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

Action.......5. A Resolution on the Residential Communication Wiring Program, Phase V was approved as follows:

Intention:

The University has established ResNet, a program providing students in its campus residences access to PennNet, cable television and telecommunications systems, with the objective of enhancing the residential experience. To date, 14 buildings and over 6,770 locations have been wired through the first four phases of the project, serving approximately 5,950 residents.

Phase V of this program extends ResNet to the Quadrangle, and entails the wiring of an additional 1,140 locations serving approximately 1,500 residents. The scope of the work includes the design and construction of communication pathways and the installation of wiring and electronics. Phase V is estimated to cost $3,881,000 based on bids and will be paid from project funding sources.

RESOLVED, that the Residential Communication Wiring Program, Phase V, estimated to cost $3,881,000, be and the same hereby is approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such contracts and incur such expenses and obligations -- not, however, in excess 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.......6. A Resolution on the Renovation of Logan Hall for the School of Arts and Sciences and the Perelman Quadrangle was approved as follows:

Intention:
The University proposes to renovate Logan Hall for several School of Arts and Sciences academic departments, the College and the General Honors program. The ground floor will be part of the Perelman Quadrangle and will house student activities related facilities. Room 17, a large lecture hall, will be refurbished and equipped to support state of the art instruction. The Trustees in June and December, 1995, approved design fees and preliminary construction work in the amount of $2,603,000 for this project. The project, including the portion previously approved, is estimated to cost $15,090,000 based on bids and will be funded by central University resources.

RESOLVED, that the renovation of Logan Hall, estimated to cost $15,090,000, be and the same hereby is approved and that the Executive Vice President or other appropriate officers of the University be and hereby are authorized to take such actions, execute such contracts and incur such expenses and obligations -- not, however, in excess of 110% of the estimated cost as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

Action........7. A Resolution on the Waste Water Reclamation and Reuse System at the New Bolton Center for the School of Veterinary Medicine was approved as follows:

Intention:

The University proposes to install a new sewage treatment and disposal system at the New Bolton Center for the School of Veterinary Medicine. The existing 25 year old system is at the end of its service life. The new system will accommodate current and future research programs. The project is estimated to cost $1,715,000 based on bids and will be paid for by the School of Veterinary Medicine.

RESOLVED, that the New Bolton Center waste water reclamation and reuse system project, estimated to cost $1,715,000, be and the same hereby is approved and that the Executive Vice President or other appropriate officers of the University be and hereby are authorized to take such actions, execute such contracts, and incur such expenses and obligations -- not, however, in excess of 110% of the estimated cost as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

Action........8. A Resolution on the Acquisition of 3922 and 3926 Pine Street, Philadelphia, Pennsylvania was approved as follows:

Intention:

The University proposes to acquire two (2) residential properties under common ownership located at 3922 Pine Street and 3926 Pine Street in Philadelphia, Pennsylvania (the "Properties"). Each of the properties consists of two (2) rental units. The Properties will be transferred to the University in consideration for certain Gift Annuities payable during the remaining life of the Seller. The acquisition cost will be funded from the University's internal resources.

RESOLVED, that the Executive Vice President or any other appropriate officer of the University be and they hereby are authorized to proceed with the purchase of the Properties in accordance with the terms previously described in this resolution and to proceed with the execution and delivery of a Purchase Agreement as well as all necessary affidavits and other documents in
connection with such purchase, and that any actions heretofore taken by such officers in
furtherance of the purposes of this resolution are hereby ratified and affirmed.

Action........9.  A Resolution on the Acquisition of 4004 Pine Street, Philadelphia, Pennsylvania was
approved as follows:

Intention:

The University proposes to acquire a residential property located at 4004 Pine Street in
Philadelphia, Pennsylvania (the "Property"). The Property consists of four (4) rental units and is
being purchased for $150,000 cash plus certain Gift Annuities payable during the remaining life of
the Sellers. The acquisition costs for the Property will be funded from the University's internal
resources.

RESOLVED, that the Executive Vice President or any other appropriate officer of the University
be and they hereby are authorized to proceed with the purchase of the Property in accordance with
the terms previously described in this resolution and to proceed with the execution and delivery of
a Purchase Agreement as well as all necessary affidavits and other documents in connection with
such purchase, and that any actions heretofore taken by such officers in furtherance of the
purposes of this resolution are hereby ratified and affirmed.

Action........10.  A Resolution on the Acquisition of 4210 Chestnut Street, Philadelphia, Pennsylvania was
approved as follows:

Intention:

The University proposes to acquire real property located at 4210 Chestnut Street in
Philadelphia, Pennsylvania (the "Property"). The Property consists of a vacant and deteriorated
residence abutting other University-owned property at 4212-14 Chestnut Street. The proposed
purchase price is $25,500. Acquisition costs for the Property will be funded from the University's
internal resources.

RESOLVED, that the Executive Vice President or any other appropriate officer of the University
be and they hereby are authorized to proceed with the purchase of the Property in accordance with
the terms previously described in this resolution and to proceed with the execution and delivery of
a Purchase Agreement as well as all necessary affidavits and other documents in connection with
such purchase and acquisition, and that any actions heretofore taken by such officers in
furtherance of the purposes of this resolution are hereby ratified and affirmed.

Action........11.  A Resolution on the Sale of Property Located in the Town of Side, Turkey was approved
as follows:

Intention:

In 1995, the University acquired property located in the town of Side, Turkey (the
"Property") by gift from Mrs. Alfred Friendly. The Property comprises approximately 7,000
square feet and is the site of a single family residence. The University has received an offer to
purchase the Property for $400,000. Proceeds from the sale of the Property will be used to fund
the ongoing programs and activities of the University Museum.
RESOLVED, that the Executive Vice President or any other appropriate officer of the University be and they hereby are authorized to proceed with the sale and conveyance of the Property for a sale price of $400,000 and to proceed with the execution and delivery of a Deed and all necessary affidavits, agency agreements, powers of attorney and other documents required in connection with such sale and conveyance and that any actions heretofore taken by such officers in furtherance of the purposes of this resolution are hereby ratified and affirmed.

**Action:**

12. A Resolution on the University Guaranteed Mortgage Program was approved as follows:

**Intention:**

Since 1965, the University, through agreements with certain financial institutions, has offered to eligible employees mortgages, guaranteed by the University, for residential properties in neighboring West Philadelphia and western Center City. The University Guaranteed Mortgage Program has been very successful; over 1,450 mortgages have been placed with only two defaults.

In recent years, the number of banking institutions participating in the Guaranteed Mortgage Program has increased as has the number of loans outstanding. The University now proposes to include Commerce Bank, N.A. in the Guaranteed Mortgage Program. The Agreement with Commerce Bank, N.A. authorizes up to $6,000,000 in mortgage loans to qualified University personnel with individual loan amounts up to 120% of a property's fair market value. Loan proceeds in excess of the purchase price and closing costs will be used by the borrowers to pay for renovations and improvements to their homes.

The Trustees have previously authorized up to $20,200,000 for the University Guaranteed Mortgage Program of which $17,500,000 is presently committed. To implement the Agreement with Commerce Bank, N.A. and to facilitate the ongoing University Guaranteed Mortgage Program, the University requests that the authorization be increased to $30,000,000.

RESOLVED, that the authorized amount of outstanding mortgages for the University Guaranteed Mortgage Program be increased from $20,200,000 to $30,000,000.

**B. Investment Report - Mr. Neff**

Mr. Neff reported that the total market value of the endowment, including the separately administered trusts, is over $2.28 billion and is a great deal larger than the $200.5 million value nearly 17 years ago. He noted that the most important segment for the endowment's growth since December 1979 has been the equities' annual increase of 19.5% versus the S&P growth of 16.4%. Both of these indicators have been "pretty powerful tonics" in attaining the $2.28 billion mark, but Mr. Miller, Mr. Neff, and others feel that neither rate is sustainable over time; eventually, Mr. Neff noted, this will prove to be the case as neither the 16.4% will recur nor will Penn's edge of 310 basis points hold up. Nevertheless, the base figure remains very strong.

Mr. Neff drew attention to the changing characteristics of the Associated Investments Fund over the years from 58% in domestic equities in 1979 to 41% at the present time; this change reflects to some extent the fact that the market is currently overvalued—or at least very fully valued. During the same time period, the AIF holdings in international equities has increased from 0% to 10%. Mr. Neff commented that he believes the emerging market securities to be undervalued at this time, and although investing in these areas is not without risk, they are aggressive and fast-growing areas; emerging market securities currently comprises 2% of the AIF portfolio, and Penn has committed to increasing this percentage to 7%. Fixed income securities have become a smaller portion of the AIF, decreasing substantially from 38% to 21% currently. Conversely, the high yield securities have become more critical, growing from 0% of the AIF only five or six years ago to 11% today; these securities have provided an annual return of 15%. Mr. Neff
remarked that since year-end 1995, the AIF High Yield Fund has had a return of 14.3% as compared to a 10.4% return by the Salomon Brothers High Yield Index; this is a good outperformance of 390 basis points. Mr. Neff added that the High Yield Fund is unlikely to provide a 15% return but should earn a coupon worth 9.5%, which may look very good over the next few years. The category of "Other" is comprised of nearly all real estate and has been increased from 2% of the Fund to 7% since 1979; this change, made approximately six years ago under Mr. Tanenbaum's "tutelage," has earned an annual net return of roughly 25%. Mr. Neff anticipates that this rate of return will likely settle at the 12-14% range.

As the management of the AIF is in a transition phase, Mr. Neff noted that the Fund is handled almost entirely by outside advisors. Only $200 million of equities remain under the aegis of Messrs. Miller and Neff.

IV. Overseer and Other Boards

Dr. Vagelos introduced the following resolutions for appointments and reappointments to overseer and other boards:

*Action*........ A. A Resolution on the Appointment of Susan A. Maxman as the Chair of the Graduate School of Fine Arts Board of Overseers was approved as follows:

RESOLVED, that Susan A. Maxman be appointed as the Chair of the Board of Overseers of the Graduate School of Fine Arts for a three-year term, effective December 13, 1996.

*Action*........ B. A Resolution on the Appointment of Gilbert F. Casellas as the Chair of the School of Social Work Board of Overseers was approved as follows:

RESOLVED, that Gilbert F. Casellas be appointed as the Chair of the Board of Overseers of the School of Social Work for a three-year term, effective December 13, 1996.

*Action*........ C. A Resolution on the Reappointment of Joseph B. Glossberg as the Chair of the University Libraries Board of Overseers was approved as follows:

RESOLVED, that Joseph B. Glossberg be reappointed as the Chair of the Board of Overseers of the University Libraries for a three-year term, effective December 13, 1996.

*Action*........ D. A Resolution on the Appointment of Arnold J. Levine to the Board of Overseers of the School of Arts and Sciences was approved as follows:

RESOLVED, that Arnold J. Levine be appointed to the Board of Overseers of the School of Arts and Sciences for a three-year term, effective December 13, 1996.

*Action*........ E. A Resolution on the Appointment of Egbert L.J. Perry to the Board of Overseers of the School of Engineering and Applied Science was approved as follows:

RESOLVED, that Egbert L.J. Perry be appointed to the Board of Overseers of the School of Engineering and Applied Science for a three-year term, effective December 13, 1996.
Action........F. A Resolution on the Appointment of Mary Colen to the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology was approved as follows:

RESOLVED, that Mary L. Colen be appointed to the Board of Overseers of the University Museum for a three-year term, effective December 13, 1996.

Action........G. A Resolution on the Appointment of Patricia Billhardt to the Board of Overseers of the School of Veterinary Medicine was approved as follows:

RESOLVED, that Patricia Billhardt be appointed to the Board of Overseers of the School of Veterinary Medicine for a three-year term, effective December 13, 1996.

Action........H. A Resolution on the Appointments of Olarn Chaipravat, Chester C. Y. Koo, Sehoon Lee, and Joseph Safra to the Board of Overseers of the Wharton School was approved as follows:

RESOLVED, that Olarn Chaipravat, Chester C. Y. Koo, Sehoon Lee, and Joseph Safra be appointed to the Board of Overseers of the Wharton School for three-year terms, effective December 13, 1996.

Action........I. A Resolution on the Appointments of James Allhusen, Joseph Barone, and Susan Rock to the Annenberg Center Board of Advisors was approved as follows:

RESOLVED, that James J. Allhusen, Joseph F. Barone and Susan Rock be appointed to the Annenberg Center Board of Advisors for three-year terms, effective December 13, 1996.

Action........J. A Resolution on the Appointments of Seymour Finkelstein, Katherine Stein Sachs, and Ella B. Schaap to the Institute of Contemporary Art Board of Advisors was approved as follows:

RESOLVED, that Seymour Finkelstein, Katherine Stein Sachs and Ella B. Schaap be appointed to the Institute of Contemporary Art Board of Advisors for three-year terms, effective December 13, 1996.

Dr. Vagelos extended his thanks to President Rodin, the University administration, and the faculty for their superb work during the fall semester. Dr. Vagelos commented that Penn suffered a real setback with the security problems in the fall, but with recent action and initiatives, such as the critical lighting-up University City residential lighting program, people will be watching the tremendous progress of the University in 1997. Dr. Vagelos concluded by wishing everyone a happy holidays and a great 1997.

There being no further business to come before the meeting, it was adjourned at 11:40 a.m.

Respectfully submitted,

Barbara R. Stevens
Vice President and Secretary of the University