EXECUTIVE BOARD
OF THE
TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA

November 12, 1971

A meeting of the Executive Board of the Trustees of the University of Pennsylvania was held on Friday, November 12, 1971 at 3:00 p.m. in the Board Room of the First Pennsylvania Banking and Trust Company.

Present were Mr. William L. Day (Chairman), Mr. Henry D. Bynans, Mr. Howard Butcher III, Mr. Paul J. Cupp, Robert Dechert, Esq., Mr. John W. Eckman, Dr. Carl Kaysen, Bernard G. Segal, Esq., Mr. James M. Skinner, Jr., President Martin Meyerson, Provost and Vice-President Curtis R. Reitz, Vice Presidents Harold E. Manley and E. Craig Sweeten, Dr. Alfred Gellhorn, Dr. John N. Hobstetter, Mr. John A. Russell, Jr., Mr. Donald T. Sheehan, Mr. Donald M. Stewart and Mr. William G. Owen (Secretary).

Messrs. Coburn and Ballard represented Counsel.

The minutes of the meeting held on September 24 were approved.

Mr. Day acknowledged receipt of a letter from President Emeritus Harnwell expressing appreciation for the action of the Trustees in naming the residential facility for him. He noted also that the ad hoc Committee on Hospital Governance would hold its second meeting next week.

Upon presentation by the Secretary, the following resolutions were adopted:

RESOLVED, That upon the recommendation of the President and the Provost and Vice-President, the following persons be elected as members of the Advisory Board for the School of Social Work and that they be elected as Associate Trustees:

Wetonah B. Jones
Currently Executive Director of Childrens' Service Inc.
(affiliated for approximately 12 years) Active in formation of Alliance of Black Social Workers - active in C.W.L.A.

Kavanzo M. Hyde
Graduate of Virginia Union and University of Pennsylvania

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Advisory Board
School of Social Work
Clifford Scott Green
Judge, County Court of Philadelphia Juvenile Division.
Graduate of Temple University and Temple University Law School.
Holds board status on State Council on Juvenile Delinquency.

Dr. Robert D. Dripps replaces Dr. Luther L. Terry on PUPMC and Wistar Boards.

RESOLVED, That Dr. Robert D. Dripps be recommended to the respective organizations for election to membership on the governing boards of the Presbyterian-University of Pennsylvania Medical Center and the Wistar Institute to replace Dr. Luther L. Terry, who has resigned.

WHEREAS the bylaws of the University of Pennsylvania Press, Inc. provide that the University shall indemnify, or provide for the indemnification of, any current or former member of the Board of Trustees against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the University) to which he was, is, or is threatened to be made a party by reason of his status as such member; be it therefore

RESOLVED, That the Executive Board agree to provide for the indemnification stated in the bylaws of the University of Pennsylvania Press, Inc.

Mr. Coburn, representing Counsel, presented certain background information relating to Technitrol, Inc. and certain patent rights associated with the ENIAC and EDVAC projects at the Moore School in the 1940's. In 1965 the University refused to assign its interest or title in the patent to Technitrol on the basis that it could not properly convey what might be a valuable right without adequate consideration. Technitrol then commenced action against the University, and an answer was filed but the case has remained inactive in view of litigation between Technitrol and the U.S. government. Based upon a decision of the U.S. Court of Claims early in 1971, the legal position of the University is that the University is the owner of at least an undivided one-half interest in the patent; it has legal power to exploit the patent independently in any way it sees fit without accounting to the owner of the other undivided one-half interest, namely Technitrol. In summary, Mr. Coburn stated that the courses of action open to the University appear to
be the following:

1. The University may do nothing, allowing Technitrol to take the initiative in further prosecution of its claims against private infringers.

2. The University might negotiate with Technitrol with respect to an assignment to Technitrol of the University's rights in the invention.

3. The University might ascertain who are presently defendants in actions brought by Technitrol and ascertain what they would be willing to pay for a release granted by the University as co-owner of the patent.

It was suggested by President Meyerson that Counsel be requested to discuss with Technitrol the possibility of the University's receiving something like 10 to 15 percent of the gross amounts to be recovered from pending litigation by the company; he urged that caution be exercised so as not to alienate the President of the Company, who is an important University alumnus.

There was agreement with this proposal for proceeding.

The President reported upon the new President's Conference, which will hold its initial meeting next Monday; he noted that appropriate measures are being taken to enhance the safety and security of the campus and that a particular problem is that of students not exercising individual security measures. Upon his recommendation, the following resolution was adopted:

\[\text{WHEREAS with the establishment of the College Retirement Equities Fund in 1952 the allocation of premiums between the Teachers Insurance and Annuity Association and the College Retirement Equities Fund was limited to a maximum assignment of 50% of the total retirement plan premiums to the CREF variable annuity, and}\]

\[\text{WHEREAS in 1967 with the change in the TIAA-CREF rules and procedures the University permitted the allocation of certain annuity premiums between the two companies in proportions within a 25%-75% range, and}\]

\[\text{WHEREAS the TIAA-CREF premium rules have now been amended to permit the allocation between TIAA and CREF in any proportion, including 100% to either company, and has studied the change in the premium assignment and is of the opinion that any of our participants wishing to elect this additional CREF assignment should be so permitted; Therefore be it}\]

\[\text{RESOLVED that effective January 1, 1972 TIAA-CREF participants at the University of Pennsylvania be given the option of allocating their total personal and institutional retirement plan premiums made after that date to the purchase of CREF accumulation units.}\]
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Provost and Vice-President Reitz noted that the consultative committees which are engaged in the search for various academic administrators are progressing with their tasks and that it is hoped an early announcement can be made about a Vice-Provost for Undergraduate Studies. He noted that the Department of Health, Education and Welfare is continuing its investigation into personnel profiles at the University. Dr. Kaysen suggested that the universities should pool their response to H.E.W. inquiries so as to minimize the effect of having past discriminatory practices serve to inhibit future actions. Mr. Reitz stated that various educational agencies in Washington are dealing with H.E.W., but unfortunately this collaboration is not being reflected at the regional level. It was suggested that possibly the Secretary of H.E.W. could be engaged directly on the question of criteria in order to overcome the implication that institutions should establish instant parity for members of minority groups.

In a brief report on the status of named professorships, Mr. Reitz noted that several offers are pending, that a committee is at work on the Harnwell Chair, that some of the open chairs are in schools and departments, and that in certain instances visiting professors are filling named chairs on a temporary basis.

The following resolution was adopted:

RESOLVED, That the academic appointments and promotions for the period from October 23, 1971 through November 11, 1971 be approved (Appendix A).

In a progress report on the 3401 Walnut Street development, President Meyerson noted that great opposition is continuing to come from certain residents of Sansom Street. He suggested that a final attempt be made by Counsel to reach an accommodation; if this does not prove to be possible, the University should still transfer the property to the developers and in so doing maintain a low profile and encourage any publicity to come from the developers. There was agreement with Dr. Kaysen's point that a fact sheet should be prepared for responding to inquiries about the project.
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Following the presentation of background information by
Dean Gellhorn and the endorsement of President Meyerson, in which
he noted that the feasibility of selling Graduate Hospital in the
future as a result of this action should receive consideration,
the following resolution was adopted:

WHEREAS a document dated September 8, 1970, was presented to
the Trustees in October, 1970, said document representing the
recommendations of a committee of the Board of the Graduate
Hospital relating to improvements needed in that Hospital's
physical plant; and

WHEREAS based upon the recommendation of the Trustees' Finance
Committee the Trustees authorized the Board of Managers of
the Hospital to proceed into Phase II of eight major projects
at an estimated cost of approximately 3.5 million dollars with
the understanding that costs would be covered from funds on
hand and from future funds to come from current operations of
the Hospital, government sources, and private sources, and
that University cash would not be advanced for that project; and

WHEREAS in April of 1971 the Executive Board of the Trustees
approved an action of the Board of Managers of the Graduate
Hospital defining the future role that Hospital would play
within the University's Medical Center which included a
concept of a health maintenance organization; and

WHEREAS in September, 1971, the Executive Board reaffirmed
the role envisioned for the Graduate Hospital particularly
with respect to the necessity for the administration to
pursue alterations to the physical plant which would enable
the Hospital to fulfill the role and at the same time reach
an agreement with Blue Cross of Philadelphia; and

WHEREAS in consonance with these actions an application was
made for a 1971 Hill-Burton allocation to assist the Hospital
in satisfying the capital requirements for renovations to
meet the defined role; and

WHEREAS under date of November 5 the Secretary of the Depart-
ment of Public Welfare of the Commonwealth advised the Uni-
versity that the Graduate Hospital had been provisionally
awarded a grant of $1,200,000 and a loan guarantee of
$1,500,000 toward a total project cost of approximately
$3,600,000 under the modernization category of the Federal
Hill-Burton Program; and

WHEREAS the terms of the award require that within 10 days of
the receipt of the provisional grant letter the University
is required to inform the Secretary of Public Welfare of its
intention to either accept or forego the allocation and
further requires that within three months of the date of the
grant letter the University must:

1. Produce an approvable project in accordance
with State and Federal regulations and policies.

2. Provide evidence of the share of the financing
of the project which will be required of the
University (approximately $900,000) which can
be made up of cash, negotiable securities, pledges,
commitments from lending agencies, and/or other
governmental sources.
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Graduate Hospital

3. Present preliminary drawings to the Office of Medical Services and Facilities;

Therefore be it RESOLVED, That the appropriate officers of the University be authorized to accept the provisional award with the following understandings:

1. That sufficient funds be allocated from Graduate Hospital General Fund "A" to engage an architect to prepare preliminary drawings in terms of the requirements of the grant letter.

2. That the appropriate officers investigate and report back to the Executive Board through the Finance and Medical and Hospital Affairs Committees regarding the terms and conditions under which the guaranteed loan can be obtained.

3. That the appropriate officers investigate and report back to the Executive Board through the Finance and Medical and Hospital Affairs Committees regarding the sources and terms and conditions of the University's "contribution" toward the project.

and be it further RESOLVED, That the officers report through the Finance and Medical and Hospital Affairs Committees for final action by the Trustees a satisfactory plan for the repayment of the guaranteed loan as well as any other borrowings which may be required by the University from external or internal sources to complete the funding of the over-all project; and with the further understanding that the only financial commitment being made in this resolution relates to the expenditure of Graduate Hospital funds for preliminary architectural drawings and that the final determination as to whether or not to proceed will await the outcome of the foregoing investigations.

Upon presentation by Mr. Russell, the following resolution was adopted:

WHEREAS, the Graduate Student Association petitioned last March for permission to serve alcoholic beverages in Houston Hall; and

WHEREAS, since that time experiments with such service have been conducted satisfactorily by the Director of Houston Hall; and

WHEREAS, the Vice-Provost for Student Affairs now recommends that the official policy be altered; be it therefore RESOLVED, That, assuming there are no restrictions in deeds of gift, associated with Houston Hall, the existing mandate of the Trustees governing the service of alcoholic beverages in University buildings be modified as follows:

Paragraph B-2-a should be amended to read:

"The deans of the several graduate and professional schools may specify an appropriate area in each school and the Director of Houston Hall may specify an appropriate area in Houston Hall for this purpose, provided:

I. Permission in each instance is granted by the dean or the Director of Houston Hall."

SECRETARY
The President noted that his written proposals for the future financial development of the University would soon be ready, and it was agreed that a joint meeting of the Development and Long-Range Planning Committees should be scheduled to consider them.

On behalf of the Investment Committee, Mr. Skinner directed attention to an opinion of Counsel as to whether the Trustees may properly determine to apply to the reduction of the University's bank indebtedness a substantial amount of funds which the University has previously segregated and invested pending their eventual use for particular designated purposes; copies of the opinion were made available at the meeting (Appendix B). Mr. Skinner noted that the Committee has been concerned about the extent of bank borrowings and is seeking some emergency measure to ameliorate this situation. In essence, the opinion of Counsel is that the application of T.I.F. funds to the reduction of bank debt at this time is a sounder and in effect more prudent use than their continued investment in debt securities. Mr. Skinner requested approval of the opinion of Counsel in order to permit the administration and the Investment Committee to work out a program which will be submitted to the Committee for approval.

In answer to Dr. Kaysen's question as to whether the lines of credit which the University has are contractual in nature, Counsel replied that it was his understanding that this was the case. Dr. Kaysen went on to point out that the University would be, to some extent at least, put in a less safe legal position with respect to funds received for particular purposes to the extent that these were used in the meantime to pay down bank borrowings and suggested that consideration be given to the pledging of the securities in which the T.I.F. was invested to secure bank borrowings rather than the direct reduction of those borrowings. Mr. Ballard indicated that while he had not considered the question specifically or in detail, he believed that a pledge arrangement might possibly present more legal problems than the temporary application of T.I.F. funds to reduce bank borrowings. He pointed out that under the pledge arrangement the time when...
these securities representing these funds are applied to pay the
banks would be, almost by definition, a time when there was
ground for real apprehension as to whether the University would be able financially to fulfill its future T.I.F. obligations.
He stated that a key point in the opinion delivered to the Trustees was that the use of the money to reduce bank borrowings is per-
missible so long as the Trustees were confident that the University would in fact be able to meet its obligations to expend the
funds indicated by donors for the purposes they had stipulated.
In replying to a question from Dr. Kaysen as to whether, in the
opinion of Counsel, the courts would recognize the propriety of
using the funds to reduce bank borrowings, Mr. Ballard pointed
out that this was the essence of the formal legal opinion that
he had presented and that he was confident of its soundness.
Dr. Kaysen indicated a concern about the possible reaction of
an angry donor concerning the interim use of his gift to reduce
bank borrowings.
The point was made by Mr. Manley that such an action would
likely not result in a substantial saving of interest; rather
it is looked upon as an emergency measure to enable the University
to get out of the banks for a period of perhaps 90 to 120 days.
At the end of that period the arrangement would be discontinued
and the University would return to a line of credit. The President
noted that the possibility of a large loan at a favorable rate
could well change the present desirability of this particular move.
The following resolution was adopted:

RESOLVED, That the written opinion of Counsel, dated
November 4, 1971 relating to reduction of the University's bank indebtedness through application of a substantial amount of funds which the University segregated and invested pending their eventual use for particular designated purposes be accepted, and that the Investment Committee and the administration be authorized to proceed accordingly to work out a program for possible implementation.

It was suggested by President Meyerson that the experience of other institutions might be of interest to the Investment Committee.

Mr. Skinner called attention to recent performance data on
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the University's portfolio and the following resolution was adopted:

RESOLVED, That the Investment Transactions for the period August 31, 1971 to October 29, 1971 be approved (Appendix C).

Reporting for the University Development Committee, Mr. Eckman noted that a total of $2,590,389 had been received as of October 26 and that as of November 3 the total had reached $3,001,463. This amount is approximately $2 million behind that for the comparable period last year primarily because of the major gift received a year ago for the Annenberg Center. He referred to various major gifts which are on the horizon and noted that there will be an increased tempo of activity during the coming weeks.

Adjourned.

William G. Owen
Secretary