A Stated Meeting of the Trustees of the University of Pennsylvania was held on Friday, October 13, 1972, at 2:00 p.m. in the Council Room of the Furness Building.

Present were Mr. William L. Day (Chairman), Gustave G. Amsterdam, Esq., Mr. Samuel H. Dallam, Jr., Mr. Julian S. Ders, Mr. Orville H. Bullitt, Mr. I. W. Burnham, II, Mr. Henry M. Chance, II, Dr. George A. Coleman, Mr. Paul J. Cupp, Milton T. Daus, Esq., Robert Dechert, Esq., Dr. Edgar L. Dessen, Mr. Charles D. Dickey, Jr., Mr. Robert G. Dunlop, Mr. John W. Eckman, Mr. James W. Gray, Jr., Dr. Carl Kaysen, Mr. Charles A. Krause, Arthur M. Larrabee, Esq., Mr. John A. Mayer, Mr. C. B. McCoy, Mr. Paul F. Miller, Jr., Mr. Walter F. O'Malley, Mr. William D. Patterson, Mr. Donald T. Regan, Mr. James A. Salinger, Bernard G. Segal, Esq., Mr. James M. Skinner, Jr., Mr. Wesley A. Stanger, Jr., Mrs. Ione A. Strauss, Robert L. Trescher, Esq., Mrs. Jacqueline Wexler, Mr. Ernest L. Whitney, Morton H. Wilner, Esq., Mr. Charles S. Wolf, Mr. Harold L. Zellerbach, Mr. William Zellerbach, President Martin Meyerson; Provost and Vice-President Curtis R. Reitz; Vice-Presidents Robert D. Dripps, Paul O. Gaddis, John C. Hetherston, Harold E. Manley and E. Craig Sweeten; Associate Provost John N. Hobstetter; Vice-Provost Humphrey Tonkin; Dean Alice Emerson, Mr. James Davis, Dr. Robert H. Dyson, Jr., Mr. Wm. Richard Gordon, Chaplain Stanley Johnson, Dr. D. Bruce Johnstone, Mr. Donald T. Sheehan, Dr. Eliot Stellar, Dr. Robert Zemsky, Mr. Robert G. Lorndale (Associate Secretary), Dr. Richard M. Sherman (Assistant Secretary) and Mr. William G. Owen (Secretary). John Ames Ballard, Esq. attended as Counsel.

The meeting was opened with prayer offered by Chaplain Johnson.

The minutes of the meeting of May 5, 1972 were approved.
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Welcome to Mrs. Strauss and Messrs. Adler and Dessen

The Chairman, Mr. Day, extended a welcome to Mrs. Strauss as President of the General Alumni Society and to Mr. Adler and Dr. Dessen upon their recent elections as Alumni Trustees.

Reporting for a subcommittee comprised also of Messrs. Dunlop and Eckman, Mr. Segal moved the nomination of Mr. Day as Chairman of the Trustees for the academic year 1972-73; this was approved by acclamation. Mr. Segal indicated that the subcommittee recommends to the Chairman the reappointment of Mr. Dunlop as Vice-Chairman of the Executive Board.

The Secretary directed attention to the official statement issued by the Treasurer of the Corporation relating to the keeping of accurate accounts of all trust funds separate and apart from the other funds of the Corporation. Mr. Owen reported upon a communication from the Parent's Day Committee for 1972 to the effect that Parent's Day will take place on November 17 and that Trustees are invited to a reception with parents at 4:00 o'clock in the University Museum.

Mr. Dunlop commented upon the activities of Thursday relating to the dedication ceremonies of the Scheie Eye Institute at the Presbyterian-University of Pennsylvania Medical Center; he cited the leadership of President Meyerson and his colleagues and commended them for the distinguished manner in which these activities were carried out.

Mr. Bullitt moved a resolution that the Trustees take cognizance of the fact that the Scheie Eye Institute was erected without the need for financial support from governmental agencies. Such a resolution was affirmed.

President Meyerson's report encompassed the following:

1. He expressed appreciation to Provost and Vice President Reitz for the counsel and wisdom provided during these past two years and expressed the hope that Mr. Reitz' talents would be available to the University administration after a successor has been chosen. He noted that a consultative committee of ten faculty members and three students is now at work, and suggested that Trustees send their recommendations to the Secretary.

2. The University's appropriation has been passed by the State Legislature, and Mr. Sweeten is to be commended for his efforts in this regard. The "total returns" legislation is encountering some problems in the Governor's Office.
3. Attention is continuing to be given to problems of the University Press, and the Chairman of that board has appointed a subcommittee to work out a possible skeleton operation.

In a recapitulation of recent activity, Mr. Bullitt, Chairman of the Board of the Press, indicated that further publications had been stopped as of June and that the operational deficit of $246,000 included a write-down of inventory in the amount of $121,000. A budget for next June is being developed wherein a staff of three will direct the publication of about 12 books largely by the Pennsylvania faculty, with a resulting anticipated deficit of about $29,000. He noted that working cash will need to be made available from the University.

4. Mr. Sheehan is in the process of developing a program of Boards of Visitors, and early attention is being given to the creation of such a Board for the Wharton School, the Chairmanship of which will be assumed by Mr. Regan.

In brief comments, Mr. Regan expressed his concern for the quality of education in management and for business research and he reflected optimism concerning the role which the Board can play in bringing attention to the Wharton School.

In a statement of the purpose and procedures associated with Visiting Boards, Mr. Sheehan indicated that there is no single pattern for all schools, but that the needs and goals in each situation will be evaluated. He looks for the Visiting Boards to serve as a means of informal annual review of school operations to provide interchange with the faculty and student body, to help make a School more widely known, to provide contact with certain external publics, to serve as a means for encouraging financial assistance, and to provide the Dean and faculty with advice on specific matters.

5. Supplementing the work of the University Development Commission, the administration is developing six-year capital and operating budgets. The administrative officers will call upon the Trustees for advice as present crude assumptions are refined.

Provost and Vice-President Reitz presented the following matters:

1. An expression of appreciation to President Meyerson for his kind remarks and to the Trustees for their understanding and encouragement.

2. The Faculty of Arts and Sciences held its initial meeting recently and authorized the creation of a steering committee. In due course, as the organization takes form, recommendations for the necessary changes in the Statutes of the Corporation will be brought to the Trustees.

3. The College of Engineering and Applied Science is moving toward greater integration, and attention is being given to the long-range relationships with the Moore School.

4. The work of the two consultative committees relating to the Vice-Provostship for Graduate Studies and Research and the Deanship of the School of Social Work is nearing completion.

5. Full-time residential students at the University now approximate 14,000 - 15,000 with approximately 8000 undergraduates in residence.
Mr. Gaddis commented upon the following:

1. In a continuing scrutiny of financial operations associated with auxiliary services, certain units in the Dining Service and the Printing Department have been closed down.

2. It can be anticipated that labor problems will develop as a result of reduced staffing in the University. Next spring the University will face 12 contract renewals covering some 1200 employees. The strategy of the administration will be to insist that management has a right to close down uneconomic services, to use professional staff in labor relations work, to offer jobs elsewhere in the University wherever possible, and to make every effort to assure good communications within the University community concerning possible labor difficulties.

3. In considering the organization of the Office of Management, the establishment of critical priorities will involve primarily the judgment of University officers, but expertise will be brought in from the outside as this is deemed to be necessary. The use of faculty talents will also be considered as appropriate.

President Meyerson introduced the subject of the University Development Commission by indicating that his original hope for a full report by the Commission at this time has not been realized because of the complexities of the issues dealt with by the Commission and the need for various reviews within the University community.

The Chairman of the Commission, Professor Dyson, projected a schedule which envisions completion of the work of the study teams by early November and review of a preliminary final report by the University Council late in November, to be followed by reviews of other kinds within the community, all looking toward a set of final recommendations early in January. He noted that fact-finding is still proceeding along two major lines: first, the reallocation of existing resources, which is essentially a program for putting the University's present house in order; and second, programs for the future which will achieve academic leadership for the University. He spoke specifically about approaches which are being taken in considering individual schools in the reallocation process, and he went on to suggest that a qualitative leap forward is envisioned similar to that which was realized from the major development campaign of the 1960's. He finished on an optimistic note, reflecting the fact that the Commission members wish to have their work serve to lift the sights.
of all those in the University community toward building a greater institution.

Commenting more specifically upon the work of the Commission, President Meyerson referred to his statement of last year which served to initiate its work; he noted that since then a balanced budget has been projected for the present year, with an accompanying increase in the comparative levels of both faculty and administrative salaries, hopefully thereby resulting in the retention of quality personnel. He noted that although the University operates in a "mixed economy," in reality it is private in nature; he posed the question of whether this is worth maintaining. There is an attractiveness, he said, to increasing enrollments as a means of assuring fiscal solvency, but he went on to describe the relatively small pool of qualified student candidates who can pay their own way. Furthermore, he noted, if a program of increased enrollments were to be undertaken, without adding to the faculty, then the idea of a "custom education" would be lost and Pennsylvania would revert to being a large mass public-type institution.

He suggested that what is being attempted at Pennsylvania is enhancement of the intimacy of the educational experience through such means as the thematic college, college houses, and freshman seminars, and with a real hope that all students will have access to those who are engaged in research. The University's achievements have been significant during the past two years, he said, and pointed to the major increase in the number of appointments of women made to the faculty for this year. All of this poses a tremendous challenge, he suggested, and greater efforts must be made to have the advantages of the University better known. The President concluded with the thought that the vision provided by the Development Commission will hopefully serve to persuade the Trustees in January of the importance of the major efforts to be undertaken in the future for the attraction of new support from many sources.

In response to a question raised by Mrs. Wexler concerning extrapolation of the future model of the University described by
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the President to the student graduates and their work in society at large, Mr. Meyerson stated that the Development Commission should speak directly to this very fundamental question, i.e., what are the specific contributions that might be expected of Pennsylvania students who emerge from such a University? Professor Stellar commented that this question requires a thoughtful answer and that it will be forthcoming from the Commission. Mr. Day thanked the Commission Chairmen for their report.

On behalf of the Nominating Committee, Mr. Segal moved the following resolution and it was adopted:

RESOLVED, That Dr. F. Otto Haas be elected a Term Trustee for a five year period effective on this date.

On behalf of the Finance Committee, Mr. Dunlop commented briefly upon the formal report of 1971-72 fiscal operations and directed attention to the Budget Survey for 1972-73, noting that it represents an essentially balanced position, but that there are certain imponderables in the future which give reason for some concern. Upon presentation by Mr. Dunlop, the following resolutions were adopted:

WHEREAS, the principle of charging indirect expenses as a portion of the total cost of a grant or contract at the University has been recognized by the Federal Government for many years; and

WHEREAS, the current budgeting process of the University provides for the allocation of indirect expenses to schools or other University cost centers; and

WHEREAS, the major part of the indirect expenses of the University, except those charged to Federal grants and contracts, are now supported by the unrestricted budgets of the University; and

WHEREAS, the University's counsel has rendered an opinion that the income from endowment funds, which support various University activities, may be charged with a share of the University's indirect expenses: Therefore be it

RESOLVED, That, effective July 1, 1972, the appropriate officers of the University are directed to assess the income of endowment funds held by or for the University with an appropriate charge to cover indirect expenses attributable to the supported activity, subject to the approval of counsel and verification by the University's independent auditors.
RESOLVED, That Reagan A. Scurlock be appointed Associate Comptroller of the University, effective October 13, 1972.

RESOLVED, That Dennis J. Dougherty be appointed Assistant Comptroller of the University, retroactively to July 1, 1972.

WHEREAS, the Orthodontic Department of the School of Dental Medicine desires to initiate a bank financing plan for patients of the Orthodontic Clinic; and

WHEREAS, The Fidelity Bank has indicated its willingness to make loans to individuals to cover the cost of Orthodontic treatment and to deposit the proceeds of such loans directly into a University account: Therefore be it

RESOLVED, That a deposit account entitled THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA SCHOOL OF DENTAL MEDICINE - ORTHODONTIC CLINIC (herein referred to as the "Corporation") be opened and maintained with The Fidelity Bank (herein called the "Bank") and that any one of the officers hereinafter in this Resolution specified is hereby authorized to execute any agreement approved by such officers setting forth the terms governing said deposit account and to sign checks or other orders for the payment of money from said account to any person, firm, corporation or other organization whatsoever, including said officers or any of them, and the Bank is hereby authorized to pay the same, the officers referred to above being the following:

Chairman, Orthodontic Department
Coordinator, Post Graduate Orthodontic Clinic
Coordinator, Preventive and Interceptive Clinic
Treasurer
Associate Treasurer
Assistant Treasurers

and be it further

RESOLVED, That any monies, checks or other instruments which may come into the possession of this Corporation may be deposited in said account, and may be endorsed in writing or by stamp without designation of the person so endorsing; and be it further

RESOLVED, That the Secretary or any Assistant Secretary of this Corporation is hereby directed to certify to the Bank the names of the presently duly elected and qualified holders of the offices specified in the foregoing Resolutions and specimens of their signatures, and from time to time hereafter as changes in the holders of said offices occur, to certify immediately such changes and specimen signatures to the Bank, and the Bank shall be fully protected in relying on such certifications; and be it further

RESOLVED, That the foregoing Resolutions shall remain in full force and effect until written notice of their amendment or rescission shall have been received by the Bank, and that receipt of such shall not affect any action taken by the Bank prior thereto.

(Mr. Ballam abstaining) by any person authorized to sign checks or endorsed

SECRETARY
Reporting for the Educational Policy Committee, Dr. Kayser commented that at the meeting of that Committee, Dr. Hobstetter had made a forceful presentation on academic planning and the related work of the University Development Commission, reflecting an attempt to identify the cost of University operations by departments and programs.

For the Health Affairs Committee, Mr. Ballam reported that the Finance Subcommittee is meeting on a monthly basis. Particular problems of concern at this time relate to the bed census in the University Hospital and to associated problems with Blue Cross and a pending decision from the Federal Price Commission concerning rates for daily care. He noted that the Patient Services Subcommittee has presented a recommendation on the continuation of relationships with Philadelphia General Hospital, and that the Schools Subcommittee would very likely relate its work to the cost analysis techniques which Dr. Hobstetter is developing. Finally, he noted that the work of the Bylaws Subcommittee is proceeding satisfactorily.

Dr. Dripps expressed the view that there is a great opportunity in University facilities for the delivery of health care and that planning should continue to be predicated upon the education of students who will play an influential role in society at large.

For the University Development Committee, Mr. Eckman expressed gratitude to the Development Office for its continuing efforts and announced that Mr. O'Malley has assumed the Chairmanship of Annual Giving for the ensuing year with a goal of $3,000,000. He expressed appreciation also to the Trustees for the role which many have played individually in bringing about important gifts, and he encouraged the continuing support of all of the Trustees.

In commenting upon the work of the Committee on Corporate Responsibility, Mr. Segal noted that the Committee had released last May to the University community a draft document on "Guidelines for Corporate Responsibility," and he reported that a total of eight letters had been received reflecting the views...
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The meeting was called to order by the Chair, Mr. Segal. Mr. Segal noted that the Committee has concluded there is no significant degree of interest in the Guidelines and that it sees no reason for significant change in the draft version, except for altering the reference to the collective conscience of the Trustees by substituting a statement to the effect that the Trustees must act as a committee in the application of the Guidelines.

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

WHEREAS the Trustees' Committee on Corporate Responsibility in May 1972 prepared a tentative draft of Guidelines of investment in publicly held companies for submission to the University community for comment prior to the October 1972 meeting of the Trustees; and

WHEREAS the Guidelines were published in "The Daily Pennsylvanian," the student newspaper; "The Pennsylvania Gazette," the alumni monthly, and "Almanac," the University's weekly publication of record and opinion; with the request that comments be forwarded by September 30, 1972; and

WHEREAS the comments and proposals received from members of the University community were fully considered and discussed by the Committee on October 13; Therefore be it

RESOLVED that the substance of the Guidelines, as first circulated, be approved by the Trustees, except for the change from the standard that a proxy proposal "should not offend the collective conscience of the Trustees" to "in the judgment of the Trustees' Committee on Corporate Responsibility if unconscionable."

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

RESOLVED, That it is the sense of the Trustees that the University would be well advised to join in a collective action with other institutions in setting up a fact-finding group comprised of a clearing house with an independent board, and to contribute the necessary annual support, so as to assure the ascertaining of the facts in given corporate proxy issues.

Upon presentation, the following resolution was adopted:

RESOLVED, That the Investment Transactions for the period May 12, 1972 to August 15, 1972 be approved.

Mr. Skinner commented upon the early work of Franklin Capital Investors; in which he stated that there have been certain operating constraints because of the unsigned "total returns" legislation in the Commonwealth, but that the new managers have been taking the necessary time to analyze and develop strategies. He suggested that the general portfolio guidelines will be as follows: 10 to 15%
of the portfolio to be invested in smaller growth situations; 20 to 25% to be invested in larger growth companies; 20 to 25% to be invested in bonds, convertible or otherwise; and 35 to 45% to be invested in stocks of quality companies, such as General Electric, Standard Oil of New Jersey, etc. selected for long-term prospects. In the case of small growth situations, he emphasized that companies must show a profit after taxes in excess of $500,000 and an average of a maintained 15% growth over a period of two to three years, in addition to which the managers must assess the management of such companies on a personal basis. He stated that informed persons estimate that it will require from three to five years to evaluate properly the results from small growth situations. He assured the Trustees that the Investment Committee will scrutinize very closely the work of the managers in this regard.

Mr. Wolf reported for the Alumni Relations Council that, after two years of effort, personal contacts which have been undertaken are proving to be effective, that special efforts involving the University Museum and performing arts groups are bringing dividends, that increasing attention is being given to efforts in undergraduate admissions, and that an emerging program relating to medical efforts in up-state Pennsylvania will bear close watching.

It was noted by the Chairman, in closing, that the next meetings of the Trustees will be held on January 11 and 12 and May 3 and 4, 1973. He reminded the Trustees that a special Wharton School Convocation will be held on Saturday, October 28, at which time Mr. Regan will give the principal address and Vance Hall will be dedicated.

Adjourned.

William G. Owen
Secretary