SPECIAL STATED MEETING OF THE CORPORATION
THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA

June 13, 1974

A Special Stated Meeting of the Trustees of the University of Pennsylvania was held on Thursday, June 13, 1974 in the Auditorium of the Wistar Institute.

Present were: Mr. Donald T. Regan (Chairman), Gustave G. Amsterdam, Esq., Mr. Samuel H. Ballam, Mr. Julian S. Bers, Mr. Howard Butcher, III, Mr. Henry M. Chance, II, Dr. Gloria Twine Chisum, Dr. George A. Coleman, Mr. Robert G. Dunlop, Mr. John W. Eickman, Mr. Thomas S. Gates, Dr. F. Otto Haas, The Honorable A. Leon Higginbotham, Jr., Dr. Carl Kaysen, Mr. William J. Kennedy, III, Mr. Charles A. Krause, Mrs. Margaret R. Mainwaring, Mr. John A. Mayer, Mr. C. D. McCoy, Anthony S. Minisi, Esq., Mr. William D. Patterson, Mr. Wesley A. Stanger, Jr., Mrs. Ione A. Strauss, Mr. Sarkes Tarzian, Mrs. Marietta Tree, Robert L. Tresher, Esq., Morton H. Wilner, Esq., and Mr. Charles S. Wolf. President Martin Meyerson, Provost Eliot Stellar, Vice-Presidents Paul O. Gaddis, John C. Hetherston, Harold E. Manley, and E. Craig Sweeten; Mr. Curtis Barnes, Mr. Stuart H. Carroll, Dr. John N. Hobstetter, Chaplain Stanley E. Johnson, Dr. D. Bruce Johnstone, Mr. Scott Lederman, Dr. Donald S. Murray, Mr. Curtis R. Reitz, Mr. Donald T. Sheehan, Assistant Secretary Richard M. Sherman, Associate Secretary Robert G. Lorndale and Secretary William G. Owen. John Ames Ballard attended as Counsel.

The Chairman, Mr. Regan, called the meeting to order.

Chaplain Johnson offered a prayer and asked for a moment of silence in memory of the late Emeritus Trustee Maurice Bower Saul.

The Chairman welcomed Dr. Chisum and Mr. Kennedy to their first Trustee meeting. The minutes of the May 3, 1974 meeting were approved.

The following resolution was adopted unanimously:

RESOLVED That the Trustees here assembled express deep felt appreciation to Robert G. Dunlop for the outstanding service which he rendered to this Board and to the University as Chairman of the Trustees during the interim period of January to May 1974.
Special Stated Meeting of the Trustees, June 13, 1974

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

RESOLVED, that the second sentence of Section 1 of Article IV of the Statutes be amended to read as follows:

1. There shall be an Executive Board with full power to act as an executive committee of the Trustees as prescribed by law, to be composed of such number as the Trustees may by standing resolution determine. Such standing resolution shall also specify the number of members who shall constitute a quorum of the Executive Board necessary for the transaction of business and the schedule of regular meetings. The Chairman and Vice Chairman of the Trustees and the Chairman of the Executive Board shall be members ex officio of the Executive Board. The remaining members shall be nominated by the Chairman of the Board and elected annually by the Trustees. The Chairman of the Executive Board may appoint a Vice Chairman of such Board; the Secretary of the University shall act as Secretary thereof.

RESOLVED further, that the first sentence of Section 3 of Article IV be deleted and the second sentence be amended to read as follows:

3. Special meetings of the Executive Board may be called by the Chairman of the Executive Board or shall be called by the Secretary upon the written request of at least three of the members. Notice of all meetings of the Executive Board shall be given in the same way as notice of all meetings of the Trustees. Provided that whenever the Chairman (or in his absence the Vice-Chairman) of the Executive Board shall determine that an emergency exists he may call a special meeting and specify a shorter period of notice than that prescribed for meetings of Trustees but in no event less than twelve hours telegraphic or telephonic notice.

RESOLVED FURTHER, that the last sentence of what was previously Section 8 of Article I (renumbered as Section 9 pursuant to the foregoing resolution) be amended to read as follows:

9. Life, Term, and Alumni Trustees shall upon retirement or resignation be eligible for election by the Trustees to serve as Trustees Emeritus (a) for the balance of the period for which most recently elected in the case of Trustees with less than 10 years of service at the time of retirement or resignation, or (b) for life in the case of Trustees with 10 years or more of service at such time. Trustees Emeritus shall enjoy all the rights and privileges of members of the Corporation with the exception of the right to vote and to hold Chairmanships of [ ] Trustee Committees. [ ]

Secretary
RESOLVED, That pursuant to Article IV of the Statutes of the Corporation, the Executive Board be composed of the Chairman, Vice Chairman, and Chairman of the Executive Board and seven additional Trustees; and be it further

RESOLVED, That the following Trustees be elected to serve on the Executive Board during the academic year 1974-75:

Samuel H. Ballam, Jr.
Henry M. Chance, II
Charles D. Dickey, Jr.
John W. Eckman
Carl Kaysen
Bernard G. Segal
Robert L. Trescher

and be it further

RESOLVED, that five of the members shall constitute a quorum for the transaction of business; and that the Executive Board shall meet not less than five times during the year at times when stated meetings of the Trustees are not held.

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

"RESOLVED, that Sections 1 through 4 of Article I of the Statutes of the University as previously amended on May 3, 1974 be further amended to read as follows:

1. The members (herein designated Trustees of the University of Pennsylvania) shall consist of the Governor of the Commonwealth of Pennsylvania for the time being, the President of the University for the time being, the President of the General Alumni Society for the time being, and not to exceed forty-two other persons, who shall be divided into four classes: (1) Life Trustees, elected as hereinafter provided; (2) Term Trustees, elected by the Trustees to serve for terms not to exceed five years; (3) Alumni Trustees, elected by the Alumni to serve for terms not to exceed five years; and (4) Young Alumni Trustees, elected by the Alumni - from persons, qualifying under Section 7 of this Article to serve for terms not to exceed three years.

2. The terms of Trustees elected by the Trustees to fill vacancies shall begin from the date of their respective elections. The terms of Term Trustees elected to succeed Term Trustees whose terms are about to expire shall begin with the expiration of such preceding terms.
A Term Trustee shall be ineligible for reelection as a Term Trustee for a one year period following the completion of two successive terms. The terms of Alumni Trustees and of Young Alumni Trustees shall begin from the date of the delivery to the Secretary of the University of the certificate from the General Alumni Society herein provided for, or from such later date as may be specified therein, and where such Alumni Trustee or Young Alumni Trustee so certified is to succeed one whose term is about to expire, such certificate shall so specify. Neither an Alumni Trustee nor a Young Alumni Trustee shall succeed himself in office.

Composition of the Trustees

3. The Trustees, in addition to the Governor for the time being, the President of the University for the time being, and the President of the General Alumni Society for the time being, shall consist of ten Life Trustees, twenty Term Trustees, [ ] ten Alumni Trustees, and ten Young Alumni Trustees.

4. Each vacancy in the Term Trustees, [ ] in the Alumni Trustees, or in the Young Alumni Trustee caused by death, resignation, or expiration of term of office, shall be filled by the election by the Trustees or by the Alumni, respectively, as the case may be, of a new Term Trustee or Alumni Trustee, or Young Alumni Trustees for such term — not to exceed five years, with respect to Term and Alumni Trustees or three years, with respect to Young Alumni Trustees as may be designated in such election.

Resolved further, that a new section 7 be added following section 6 of Article I to read as set forth below and that each subsequent section in the article be appropriately renumbered.

7. One Young Alumni Trustee shall be a person who has received an undergraduate degree in course at the University, and one Young Alumni Trustee shall be a person who has received a graduate or professional degree in course at the University in each case in the year in which his nomination occurs or in one of the two previous years, provided that the requirements with respect to years of graduation of eligible nominees to be elected to fill a Young Alumni Trustee vacancy shall be the same as those applicable with respect to the election of the Young Alumni Trustee originally elected for the term with respect to which such vacancy exists. No person shall be eligible to serve as a Young Alumni Trustee who is enrolled as a full-time student in the University of Pennsylvania, and if a Young Alumni Trustee in office enrolls as a full-time student, such enrollment shall cause a vacancy in the class. Young Alumni Trustees shall be elected by the Alumni by such procedure as may be agreed

SECRETARY
Special Stated Meeting of the Trustees, June 13, 1974

upon between the Nominating Committee of the Trustees and the General Alumni Society of the University of Pennsylvania. The certificate of the Secretary or Assistant Secretary of the General Alumni Society shall be conclusive as to the election by the Alumni of any such Young Alumni Trustees specified therein. The Executive Board shall, from time to time, direct the Secretary to certify to the Secretary of the General Alumni Society the existence of each vacancy in the Young Alumni Trustees.

Upon presentation by the Chairman, the following resolution was adopted:

RESOLVED, That the Honorable Walter H. Annenberg be elected a Term Trustee for an ensuing five-year period effective on this date.

Upon presentation by President Meyerson, the following resolutions were adopted:

RESOLVED, That Dr. Thomas W. Langfitt be appointed Vice-President for Health Affairs and Director of the University of Pennsylvania Medical Center to serve at the pleasure of the President for a term of seven years, with eligibility for further appointment, this appointment to be effective immediately.

RESOLVED, That Dr. Donald N. Langenberg be appointed Vice-Provost for Graduate Studies and Research to serve at the pleasure of the President for a term of seven years, with eligibility for further appointment, this appointment to be effective July 1, 1974.

President Meyerson introduced the subject of University budget planning by recalling that at the meeting of the Trustees on May 3, the administration had presented a budget for 1974-75 with an imbalance of $620,000 and the hope that subsequent refinement would bring about a more favorable projection. He said that this has not proven to be the case and went on to observe that during the late 1960's it was necessary for the University to use up its reserves to offset a deficit. The present accumulated deficit is small by comparison with similar institutions, he observed, but this provides little solace. "The administration will recommend that recoveries for overhead from governmental contracts be used as an offsetting factor in the future. In addition, it will probably be necessary to apply certain funds as offsets instead of placing those funds into endowment." By way of summary, he observed that the budget...
Special Stated Meeting of the Trustees, June 13, 1974

for the current year will likely reflect a deficit on the order of $1,500,000; he said that the projected budget for 1974-75 will include a modest contingency fund and show a deficit of $500,000.

Hopefully the budget will be balanced by the end of the fiscal year. This objective on the part of the University administration is related to the importance of establishing fiscal responsibility as a requisite to future fund-raising. We expect and intend to launch a development campaign with a balanced budget and with steps being taken to overcome accumulated deficits," he concluded.

Mr. Manley went on to explain the present status of the current budget, noting that particular end-of-the-year problems are associated with (1) an underrecovery of the actual cost of employee benefits, (2) a deficit for the Graduate Hospital, (3) decline in income from the A.I.F., and (4) various shortfalls in the responsibility centers.

Associate Provost Hobstetter discussed in detail the proposed budget for 1974-75, which reflects a projected deficit of $500,000.

Mr. Gaddis then placed the 1974-75 budget against the background of the five-year financial outlook, in which he considered the effects of such factors as inflation, unallocated unrestricted resources, recoveries from overhead on prior years' research contracts, and management actions to contain inflationary cost escalation. He presented projections of operating costs and operating revenues through 1979, and then identified other applicable revenues during this period, of three types:

1. Deferred income from prior years (related to research contracts)
2. Proceeds from the sale of land
3. Special gift fund (unrestricted)

Mr. Gaddis concluded that these projections show a five-year outlook which offers good prospects for removing the accumulated deficit from the University's books, and also offsetting additional yearly deficits which may occur during
Special Stated Meeting of the Trustees, June 13, 1974

the period, all before taking into account any proceeds which will accrue from a capital campaign. It is an outlook which provides a solid base for academic change and new programs.

On the negative side, Mr. Gaddis stated that the projections include hospital deficits only through June 1975, and he spoke of present actions to reduce hospital deficits which will be discussed at the July 1 Executive Board. He related the feasibility of attaining the projections to the expected degree of inflation, and also summarized the difficult nature of the underlying assumptions concerning tuition raises and personnel costs during the five-year period.

Mr. Dunlop commented that the proposed budget is a realistic one, that the administration had identified the various problem areas of greatest concern, and the the auditors should be asked to pay particular attention to possible "discretionary areas." He moved that the proposed budget for the ensuing year be approved recognizing that it calls for a deficit on the order of $500,000.

Upon vote, the budget was approved.

In response to a question raised about operation of the hospitals and Blue Cross negotiations, Mr. Meyerson recalled that the Graduate Hospital was receiving far less reimbursement from Blue Cross than are other teaching hospitals, but he said there is little likelihood that this policy will be altered in the future. There is the additional problem for both hospitals, he noted, of unreimbursed care for the indigent; he noted that while the University does not expect much from current conversations in Harrisburg concerning affirmative action on the part of the Commonwealth, there may be some slight movement in this direction. Mr. Gaddis observed that extension of the present agreement beyond June 30 by the Delaware Valley Hospital Council is not known in light of discussions with the State on the reimbursement of indigent care.

The point was made by Dr. Kaysen that figures given to the Trustees in various reports during the day reflect an enormous hospital element running throughout; it is impossible, he said for the University to go on with this situation and it is

SECRETARY
special Stated Meeting of the Trustees, June 13, 1974

essential that an element of grave concern be injected into the various negotiations which are underway.

President Meyerson said that the University has associated itself with Temple University in conversations with the State Health Commissioner, but there is serious question about whether or not the University should join with Temple in seeking relief from the Commonwealth in terms of operating deficits of its hospitals. Mr. Amsterdam urged that great care be given in examining the possible consequences of closing a hospital; he said that it is possible to achieve a balanced budget and that the University should get on with the solution to its particular hospital problems.

It was recalled by Mr. Gates that the Blue Cross was founded for the purpose of offsetting the idea of socialized medicine and that it was never designed to pay for care for the indigent. He emphasized that this is a situation involving a fundamental educational and community responsibility and that it calls for extremely skillful handling.

The Chairman suggested that the Executive Board, at its meeting on July 1, hear from the Chairman of the Health Affairs Committee on this subject and that the full Board receive a report in October.

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

RESOLVED, that Article X of the Statutes be amended to read in its entirety as follows:

**Article X. Provisions with Respect to Retirement**

Subject to any vested rights or contractual restrictions which may exist, the Executive Board shall have the power to fix and determine from time to time the age and provisions on which officers, faculty members and other employees of the University shall retire and to amend, modify or repeal any such action taken by it.

In his report, Provost Stellar said that renewed efforts are being made to fill the Deanship of the School of Medicine now that other key appointments in the Health Affairs Division have been resolved. Upon presentation, the following resolutions were adopted:
Special Stated Meeting of the Trustees, June 13, 1974

WHEREAS the Chairman of the Department of Biology has recommended to the Provost that the Herbarium of the University be transferred to the Academy of Natural Sciences of Philadelphia as a "permanent loan" in view of the fact that little use is made of it, it is not now receiving the care it merits, and the space occupied is urgently needed for teaching and research; and

WHEREAS a committee of botanists appointed in 1969 to advise the University strongly recommended that the Herbarium should be sent to the Academy; and

WHEREAS the Executive Committee of the Board of Trustees of the Academy has approved a statement of agreement, which contains provisions concerning care, use, availability, and curation which are acceptable to the Department of Biology; and

WHEREAS the Provost and the President recommend that this transfer be effectuated; be it therefore

RESOLVED, That the Herbarium of the University of Pennsylvania be transferred to the Academy of Natural Sciences in accordance with the statement of agreement submitted by the Board of Trustees of the Academy on March 28, 1974.

RESOLVED, That the academic appointments and promotions for the period from April 25, 1974 to May 31, 1974, be approved.

Following explanation by Mr. Chance, the Chairman of the Finance Committee, and discussion, the following resolution was adopted with Messrs. Stanger and Minisi voting in the negative.

(Mr. Stanger does not favor a sale of the stock at this price):

WHEREAS, the University along with a number of other charitable institutions in the Philadelphia area has a remainder interest, in certain trusts created under the Wills of Major Aaron E. Carpenter and his wife, Edythe A. Carpenter which trusts by their terms terminated as of May 15, 1974; and

WHEREAS, one of the assets comprising the corpus of the said trusts are a substantial number of shares of stock of E. P. Houghton & Co., a closely-held corporation of which Major Carpenter and his family were controlling shareholders prior to his death; and

WHEREAS, the University's 40% interest in the trust under the Will of Aaron Carpenter would entitle it to a distribution of 109,690 shares of stock of the Houghton Company and its 50% interest in the trust under the Will of Edythe Carpenter would entitle it to a distribution of an additional 29,025 such shares; and

WHEREAS, under the Will of Aaron Carpenter the University holds a similar 40% beneficial interest in a separate continuing trust for the benefit of Mr. Carpenter's daughter, Florence R. C. Murray which trust owns an aggregate of 39,175 shares of E. P. Houghton & Co. stock; and

SECRETARY
WHEREAS, representatives of the E. F. Houghton & Co. have engaged in extensive discussions and negotiations with representatives of the University and the other charities who are beneficiaries of the trusts in question looking toward the re-purchase by E. F. Houghton & Co. of the shares held in the trust referred to above; and

WHEREAS, the University is in receipt of an offer from the Houghton Company to purchase all of the shares in which the University has a beneficial interest at a cash price of $15.50 per share with settlement on or about July 1, 1974; and

WHEREAS, the matter has been reviewed at length by the Finance Committee of the Trustees which sought advice from certain members of the Investment Committee; and

WHEREAS, these shares of the Houghton Company are not marketable except to a small number of prospective purchasers willing to purchase for investment and interested in securing a substantial block of stock in the Houghton Company with the thought of eventually securing control; and

WHEREAS, such prospective purchasers have indicated that they are not interested in making any substantial offer for the shares in question; so that the University if it determines not to accept the offer made by the Houghton Company would be faced with the prospect of retaining these shares for an indefinite period; and

WHEREAS, a final offer received from the Houghton Company is substantially more favorable than the company's original offer, is higher than the fair value of the shares as determined by White Weld & Co. at the request of the Houghton Company, compares favorably (on a times earnings basis) with the quoted market value of similar companies with stock in the hands of the public, and involves the immediate payment to the University of substantial cash funds which may be used inter alia to reduce current bank borrowings at very high interest rates; and

WHEREAS, the University representatives have been advised that the other charities, all of whom have been ably represented in the negotiations with the Houghton Company, have determined to accept the said offer.

WHEREAS, although the Chairman of the Investment Committee believes that the stock has an intrinsic worth greater than the price being offered, it is the consensus and recommendation of the Finance Committee and of other knowledgeable trustees and members of the Administration consulted by the Chairman of the Finance Committee that the offer of $15.50 per share be accepted.

NOW, THEREFORE, BE IT RESOLVED, that the University accept the offer from the Houghton Company under which the University will sell to the Houghton Company for a cash price of $15.50 per share all of the 138,715 shares of the capital stock of E. F. Houghton & Co. distributable to the University from the trusts which terminated as of May 15, 1974 under the Will of Aaron and Edythe A. Carpenter and approve of the sale by the Trustees of the continuing trust under the Will of Aaron Carpenter for the benefit of Florence R. C. Murray (in which the University has a 40% remainder interest) of an additional 39, 175 shares at that price.
The following resolutions adopted by the Finance Committee at its last meeting were affirmed:

WHEREAS, Article II, Section 6, of the Statutes of the Corporation authorizes the President to delegate to any officer of the Corporation his power to make contracts and agreements on behalf of the Trustees; be it

RESOLVED therefore that the Director of Research Administration, the Vice-Provost for Graduate Studies and Research and the Assistant Director of Research Administration be empowered to sign, perform, and execute for the University all research and training contracts, grants or other agreements which have been preceded by a proposal or application which has been reviewed and approved pursuant to University policy. This authority shall include the signing of any and all documents required in connection with the initiation, operation and termination of such contracts, grants or agreements, and be it further

RESOLVED, that these same officers are further authorized to sign any and all documents in connection with the prosecution of patents on inventions and discoveries, the issuance of licenses to use such inventions and discoveries, and, if approved by the Trustees, the transfer of ownership to such inventions and discoveries and to sign documents required for the application for or transfer of copyrights.

WHEREAS the Executive Board on September 14, 1973 authorized the appropriate officers of the University to negotiate with the State of New Jersey an agreement with the School of Veterinary Medicine whereby in exchange for a capital contribution and capitation grant from New Jersey the University would agree to admit a specified number of qualified candidates from that State to the School of Veterinary Medicine; and

WHEREAS such an agreement is now being considered by the New Jersey Legislature; and

WHEREAS a group of universities in New England has expressed an interest in an agreement similar to that negotiated with the State of New Jersey: Therefore be it

RESOLVED, That the appropriate officers of the University be authorized to negotiate an agreement with a designated group of New England universities establishing a relationship with the School of Veterinary Medicine similar to that negotiated with the State of New Jersey.

Following explanation by the Secretary that the following resolution calling for statutory change reflects an official action taken by the University Council on September 19, 1973, and endorsement by the University administration, the
resolution was adopted:

Proposed statutory change in Article V, The University Council:

2. The University Council shall consist of: the President, the Provost, one elected representative of the non-academic administrators, and nine members of the administration to be appointed annually by the President, at least five of whom shall be the Deans of Faculties; thirteen representatives of the faculty at large, who shall be the Chairman, Chairman-elect, Past Chairman, Secretary, Secretary-elect, and the eight members of the Advisory Committee of the University Senate who have served the first year of their three-year term on the Advisory Committee of the Senate; twenty-seven members of the faculty elected by mutually exclusive constituencies in a manner to be designated by the Council; four Assistant Professors to be designated in accordance with the bylaws of the Council; nineteen undergraduate and graduate and professional school students, in good standing to be elected in accordance with the bylaws of the Council; and one member of the Librarians Assembly elected in a manner to be designated by the Council.

It was announced by the Chairman that the new Executive Board will hold its initial meeting on Monday, July 1.

Adjourned.

William G. Owen
Secretary