
I. Call to Order

Chairman Miller called the meeting to order and an invocation was offered by the Rev. Mr. Johnson, the University chaplain. The minutes of the 17 June 1983 meeting were approved as written by the secretary.

II. Report of the Chairman

A. Comments

Mr. Miller noted that beginning with the present meeting, committee reports will be limited to a few each session. Action items will be brought to the attention of the Trustees as necessary, and all the committees will have an opportunity to report at least once in the course of a year.

B. The chairman then offered resolutions of appreciation to trustees whose terms were expiring. He expressed the hope that the University could devise a way to use such valuable human resources more effectively.
1. Action. A Resolution of Appreciation to Earl F. Brown was approved as follows:

A 1949 graduate of the Wharton School, Earl F. Brown has served as an alumni trustee for the past five years, representing the alumni at large. He chaired the Audit Committee and was a member of the Budget and Finance Committee and Facilities and Campus Planning Committee.

He began his service to Penn while an undergraduate as business manager of The Record, president of the Franklin Society, publicity manager of WXPN, and member of Kite and Key and the Sphinx Senior Society. Continuing this support as an active member of the alumni clubs of Boston and Northern New Jersey, he was also Boston area chairman for the Program for the Eighties. He played a key role in the establishment of the Arthur Young Professorship of Accounting.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the administration, faculty, students, and alumni of the University, express to Earl F. Brown their thanks for his service.

2. Action. A Resolution of Appreciation to Michael E. Gilson was approved as follows:

Earning his M.B.A. degree in 1978, Michael E. Gilson has completed a three-year term as a Recently Graduated Alumni Trustee, elected by the alumni of the graduate/professional schools who graduated with him and those from the previous year's class. He had earlier been awarded undergraduate and graduate degrees by the University of California at Davis. He served capably as a member of the Budget and Finance Committee and External Affairs Committee of the Trustees.

As a student leader at Penn, he was president of the Wharton Graduate Association, member of the Educational Planning Committee of the University Council, member of the Lindback Selection Committee, and a graduate fellow in Hill House. As an alumnus he worked on the secondary schools committee of the alumni club of Washington, D.C.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the administration, faculty, students, and alumni of the University, express to Michael E. Gilson their appreciation for his service.

3. Action. A Resolution of Appreciation to F. Stanton Moyer was approved as follows:

F. Stanton Moyer, a graduate of the Wharton School in 1951, has ably represented the alumni of metropolitan Philadelphia as an alumni trustee since 1978. He has lent his counsel as a member of the Trustee Board of the Hospital of the University of Pennsylvania, the Budget and Finance Committee, and the Investment Board.

The son of a member of the Wharton Class of 1919, he was active as a member of the Houston Hall Board, the Friars Senior Society, the Mask and Wig Club, and Delta Psi Fraternity. He later made major contributions of his talents as chairman of Corporate Annual Giving and as a member of the Pennsylvania Committee for the Program for the Eighties.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the administration, faculty, students, and alumni of the University, express their thanks to F. Stanton Moyer for his service.
4. Action. A Resolution of Appreciation to James J. Shea, Jr. was approved as follows:

A member of the Wharton Class of 1949, James J. Shea, Jr. has served the alumni of the Northeastern region and the University as an alumni trustee for the past five years. During that period the Trustees have benefited from his counsel at their stated meetings and at sessions of the Facilities and Campus Planning Committee and the Audit Committee.

He played football and hockey during his undergraduate years, worked on the board of The Record, and was treasurer of Lambda Chi Alpha Fraternity. As an alumnus he has been an active member of the alumni club of Western Massachusetts.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the administration, faculty, students, and alumni of the University, express to James J. Shea, Jr. their appreciation for his service.

5. Action. A Resolution of Appreciation to Frank K. Tarbox was approved as follows:

A 1947 graduate of the College and 1950 alumnus of the Law School, Frank K. Tarbox has completed his five-year service to the University as a term trustee. The Trustees have valued his presence as a member of the Budget Committee, Student Life Committee, and Trustee Board of the Hospital of the University of Pennsylvania. He is a member of the Board of Overseers of the School of Arts and Sciences and of the Law School’s Board of Overseers. His contributions as chairman of the Law Board’s student finance committee are especially noteworthy.

As an undergraduate he was a member of Phi Sigma Kappa Fraternity and as a law student he was an editor of the Law Review and a member of the Hare Law Club. An active and loyal alumnus, he has maintained a close interest in University affairs. He is a trustee of the S.S. Huebner Foundation for Insurance Education.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the administration, faculty, students, and alumni of the University, express their gratitude to their colleague, Frank K. Tarbox, for his service.

C. Mr. Tarbox replied that he felt he spoke for all his colleagues who were going off the board when he said that it had been a pleasure and a privilege to serve as a trustee of the University of Pennsylvania.

D. Before turning to the president, Mr. Miller asked for the report of the Development Committee given in IV(D) below.

III. Report of the President

A. Comments

Dr. Hackney called the attention of the Trustees to "Building Connections," a report on the implementation of his strategic plan. "Choosing Penn's Future." It focuses on current initiatives and next steps in three areas of challenge: undergraduate education, research, and student financial assistance. "I am very
pleased," the president said, "with the progress we have made to date in moving expeditiously toward clearly-identified goals."

He also observed that planning efforts are underway in the University's 12 schools. "They are beginning to submit five-year plans to the provost now," he said, "and we see this as an iterative process, involving review and coordination." Dr. Hackney added that in February Penn will be visited by a distinguished group of outside scholars as part of a mandated review for reaffirmation of accreditation by the Middle States Association of Colleges and Universities. The team has been "invited to review our planning effort," he said, "and I'm very hopeful this will yield useful advice."

Turning to other, more informal indications of a spirit of forward movement, the president mentioned the Pappas Fellowship Program, an upcoming forum on how to improve the American political system, a new restaurant and cafeteria in the Christian Association, an addition to Hillel, a new dining room in the King's Court/English House, and the completion of the Intercultural Center. "All of these things add to the sense of vitality I feel," Dr. Hackney observed. "We have a lot of problems remaining, but there is a great deal of discussion going on about the goals we have set for ourselves, and I see a stronger sense of community developing."

B. Financial Report

Mrs. O'Bannon called attention to the Financial Report for the Year Ending June 30, 1983 which was before the Trustees. She said that after completion of the first quarter of the 1984 fiscal year, preliminary indications are that revenue projections are holding up in the area of undergraduate tuition, and the administration is particularly encouraged by the stabilization of enrollments in the College. She added that there was some concern about a falloff in graduate tuition "from what were perhaps optimistic budget projections. On the expense side," she said, "we're looking at potential salary savings which, if annualized, will amount to $1.1 million. They come primarily from the Wharton School, Nursing, and The School of Arts and Sciences." Mrs. O'Bannon further observed that preliminary projections call for a modest surplus of $200,000 to $300,000 at year end. As for HUP, she said that for the first two months of the fiscal year, revenues exceeded expenses by $1.4 million, which was $162,000 more than projected. A slight decline in patient service revenues was offset by a corresponding decrease in expenses.

The senior vice president mentioned that she was giving considerable attention to government relations. She said that the University was continuing to make a case in Harrisburg for Commonwealth support of about $24 million. She noted that David Morse had recently been appointed director of Federal Relations.
and would assist the administration on the "very important Washington front. And we are looking forward," she said, "to establishing a liaison with the new city administration after the November elections." Mrs. O'Bannon also said that her staff was heavily involved in planning for the financing of the Hospital's Phase IV, the Penn Plan, and other needs of the University.

C. Academic Report

1. Mr. Ehrlich observed that since the June Trustees' meeting two major academic planning efforts, the Penn Plan for family-based student financial assistance and planning for computer acquisition, had occupied substantial administrative attention. The schools' draft five-year plans, he said, are being submitted for review.

The provost then went on to note that the University was well along in developing the FY'85 budget. "There must be some really severe restraints on expenditures," he said, "and we have decided to limit central administrative growth to two percent for each of the next two years. It's going to be difficult, but we're convinced that it is necessary if we are to achieve our academic goals."

Mr. Ehrlich further noted that the Office of University Life had held a summer retreat on conduct and misconduct on campus. He said that he was pleased that the strong administrative statement on the subject had received widespread campus endorsement. Vice Provost James J. Bishop is co-chairing a special task force on conduct and misconduct, and as part of that effort, Mr. Ehrlich said a draft revision of the Charter of the Student Judicial System had been prepared and was being reviewed on campus.

2. Action. A Resolution on the Penn Plan was approved as follows:

Intention:

The University has been considering various ways to assist students and families in financing the costs of tuition at Penn. After careful consideration over the last two years, a report entitled "Financing a Penn Education: Four Plans for Family-Based Financial Assistance" was discussed with a small group of trustees last June. They encouraged the planners to obtain an outside financial analysis and to create a marketing strategy and materials. Coopers & Lybrand, working with Vice President for Finance Paul Gazzerro, Jr., provided the financial evaluation; the marketing program was devised by Director of Publications Ann J. Duffield, working with Dean of Admissions Willis J. Stetson. The set of arrangements for family-based financial assistance, known as the Penn Plan, was reviewed by the Executive Committee at its September meeting.

The goals of the Penn Plan are to: (1) limit student indebtedness after graduation; (2) assist families in arranging educational financing; and (3) preserve the University's need-blind admissions policy. The Penn Plan is a
comprehensive approach to education financing. It includes four options.

Option One is for students and families who want and are able to pay in advance a full four-year's tuition; the University will guarantee a set price pegged at the tuition rate in effect at the time of matriculation.

Option Two gives the same guarantee against tuition escalation as Option One, but permits students and families to finance a Penn education with a down payment and the remaining tuition costs covered by a ten-year fixed-interest secured loan through either an external or internal organization that will dispense funds to the University.

Option Three requires the same down payment as Option Two, but a uniform rate of tuition is not guaranteed and the interest rate and payment schedule covering the remaining costs vary depending on the cost of money.

Option Four is for students who qualify for need-based aid. It is similar in structure to Option Two, except that the university assumes joint responsibility with students and parents for meeting monthly payments both prior and subsequent to graduation.

The University expects to implement the Penn Plan for undergraduates and professional school students entering the University in the fall of 1984. It will not affect students currently enrolled. Graduate Ph.D. students will not be covered because the length of their education cannot be determined in advance.

The University intends to establish an appropriate entity to administer this new program. The administration will propose borrowing arrangements to provide the necessary financing. These arrangements will be brought to the Committee on Budget and Finance for its review before the approval is sought from the full board.

RESOLVED, that the creation of a new financial entity to implement the Penn Plan, as presented by the University administration, be approved, and that the Senior Vice President or other appropriate officers of the University be authorized to establish the entity.

3. Action A Resolution of Appreciation to Britton Chance, moved by Trustee Emeritus Henry Chance, was approved as follows:

Dr. Britton Chance's career at the University of Pennsylvania has spanned nearly 50 years, as student, graduate student, member of the faculty, and, finally, as Eldridge Reeves Johnson and University Professor of Physics and Physical Biochemistry. Celebrated recipient of awards from eminent national and international scientific organizations, Dr. Chance has contributed significantly to the development of the discipline of biophysics. His leadership and vision have guided the internationally acclaimed Eldridge Reeves Johnson Foundation since 1940, and his loyalty to the University has manifested itself in countless ways.

Few activities can compete with Dr. Chance's desire to spend time at the laboratory bench and his keen ability and interest in identifying and nourishing young talent have played a catalytic role in the development of many professional careers both here and abroad. The brilliance, dedication and sensitivity of this world-class scientist have inspired a generation of scholars.
RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves, the faculty, the students, the alumni, and the administration, take pleasure in recognizing the distinguished career and contributions of Dr. Britton Chance on the occasion of his retirement.

4. In introducing a resolution on the Nichols Professorship, Trustee Emeritus Robert Trescher observed that Roy and Jeanette Nichols were "great scholars who had giant spirits. What they did was truly noble and it is a fine inspiration."

Action. A Resolution on the Establishment of the Roy F. and Jeanette Nichols Professorship in American History was approved as follows:

Intentions:
The Administration proposes to establish "The Roy F. and Jeanette P. Nichols Chair in American History" in honor of the former distinguished historians and teachers of the University of Pennsylvania. Dr. Roy F. Nichols came to the University in 1925. He served as professor of history, dean of the Graduate School of Arts and Sciences, and vice provost during his illustrious career until his retirement in 1966. He died in January 1973. Dr. Jeanette P. Nichols began her association with the University in 1950 and served as an associate professor of history and a research associate in history until her death in June 1982. Funding of the chair will be from the life-time gifts and the Nichols' estates, currently valued on the University's records in excess of $1,150,000 with additional distributions yet to be received of approximately $500,000.

RESOLVED, that the appropriate officers of the University establish an endowed professorship to be known as "The Roy F. and Jeanette P. Nichols Chair in American History."

5. A Resolution on Appointments, Leaves, and Promotions for the period from September 2, 1983 to September 30, 1983 was approved as found on pages 1 through 27 of the meeting book.

IV. Reports of Trustee Committees

A. Academic Policy

Dr. Kaysen reported that the Academic Policy Committee had heard some very interesting and, in his view, exciting and encouraging presentations on aspects of the University's research programs. Touching on the highlights, he mentioned:

---the presentation of the development plan of the chemistry department by chairman and professor Kent Blasie, who left committee members with the impression that the University would do well to find the money to assist a department which is getting better and knows how to keep improving;

---the presentation on the work of the University of Pennsylvania Research Foundation by former provost Eliot Stellar, who very effectively conveyed the message that for quite small expenditures Penn bought large returns in terms of facilitating scholarly endeavor;

---the presentation on computing initiatives by Vice Provost Barry Cooperman;
--the presentation on unfavorable trends in government funding by Anthony Merritt, director of research administration; and, finally,

--Dr. Cooperman's presentation on the need for improving industrial funding sources.

B. Audit

Mr. Earl Brown reported that the Audit Committee had approved a Policy on the Use and Control of Physical Plant Advances, which it had requested from the administration in the wake of a rather large write-off for physical plant advances in FY’82. "We hope that policy will be presented to the Budget and Finance Committee for action at its next meeting," the chairman said. He also mentioned that the Audit Committee was requesting a review of the University's Conflict of Interest Policy in light of the observation by Coopers & Lybrand, Penn's external auditors, about the number of related party transactions in the University's financial operations. Mr. Miller noted that the present policy leaves it to trustees to report any conflicts of interest, and Mr. Brown said the issue was whether or not there should be an annual questionnaire. He noted the committee had asked the administration to return with a recommendation.

C. Budget and Finance

Mr. Eckman presented seven resolutions, noting that they all had the support of the Budget and Finance Committee.

1. Action. A Resolution on HUP Phase IV Financing was approved as follows:

Intention:

Phase IV of the Hospital's Long Range Plan calls for the construction of a new 15-level building and renovation of space vacated by those services which will move into the new wing. At the conclusion of the construction and renovation program, the Centrex, Gibson, and Piersol Buildings will be demolished.

The Phase IV building will replace and centralize the surgical suite, critical care units, and cardiac catheterization units; expand Pathology and Laboratory Medicine; expand and strengthen the Psychiatric Department spaces; and replace support facilities such as Food Service and Student Health. The construction of a new surgical suite permits improved access for patients to expanded state-of-the-art critical care units. The Phase IV construction will increase the private-room accommodations throughout the Hospital from 192 to 286 or 49 percent. The 26-bed Psychiatric Unit will be replaced, and the new unit will have 47 beds which will permit the development of a much-needed clinical facility. Improvements to Pathology and Laboratory Medicine which were begun in Phase III, will continue in Phase IV. This department will occupy two floors in the building, thus doubling its present area. Student Health, Radiation Therapy, and Respiration Therapy are all operating in extremely cramped quarters, and as a result of Phase IV, each will see their programs adequately housed. The Hospital kitchen and cafeteria will be expanded to better serve personnel and patients. Medical Records will be centralized to provide efficient retrieval in an increasingly regulated and interdependent environment.
Taking into account the replacement of programs presently located in obsolete buildings, Phase IV of the Long Range Plan will increase the available floor space in the Hospital 76,000 square feet or ten percent.

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<th>Description</th>
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<tr>
<td>Current Size of Hospital</td>
<td>776,000 NSF</td>
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<tr>
<td>Demolition of Obsolete Buildings</td>
<td>136,000 NSF</td>
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<tr>
<td>Size of Hospital After Demolition</td>
<td>640,000 NSF</td>
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**Phase IV Building**
- Replacement Space: 136,000 NSF
- Program Growth: 76,000 NSF
- Size of Hospital after Completion of Phase IV: 852,000 NSF

The Phase IV Project has been recommended by the Health Systems Agency and has been approved by the Department of Health of the Commonwealth of Pennsylvania.

Relocation of activities out of those buildings scheduled for demolition will be completed in late winter. Demolition is expected to begin in late winter or early spring of 1984. The construction of the Phase IV building will require 30 to 36 months. It is expected that occupancy will take place in 1988, and the renovation of the vacated space will then begin. A two-year period of renovations will complete the Long Range Plan in 1990.

Phase IV is expected to cost $128,000,000. Of this amount, $96,000,000 is budgeted for construction and equipment. The Hospital plans to provide $14,700,000 in equity and to borrow $113,300,000 to finance the project.

The Trustee Board of the Hospital has recommended approval of the Hospital's Phase IV construction program in the amount of $128,000,000 and the associated external borrowing of $113,300,000.

The administration has reviewed the project and the feasibility study and supports the project. University and Hospital officials are exploring appropriate methods of financing the borrowing to minimize risk and cost to the University and its Hospital.

**RESOLVED,** that the Trustees of the University of Pennsylvania approve the Phase IV Construction Program in the amount of $128,000,000 and the associated external borrowing of $113,300,000, and

**FURTHER RESOLVED,** that the Trustees of the University authorize the Executive Committee to approve the actual terms of the financing of Phase IV, and

**FURTHER RESOLVED,** that the Vice President for Finance and other officials of the University be authorized to take such actions and execute such documents as may be required to effect this resolution.

2. **Action.** A Resolution on the Purchase of the Nurses' Residence Building and Two Parcels of Land was approved as follows:

**intention:**

At its 24 October 1980 meeting, the Trustees authorized the University to enter into a lease agreement with the City of...
Philadelphia for the former Philadelphia General Hospital (PGH) Nurses' Residence and in anticipation of its subsequent purchase by the University for $1,950,000, it further authorized the University to make substantial improvements approximating $1,600,000 to the property (building and land) to accommodate the Wharton School during the renovation and construction of Steinberg-Dietrich Hall. The University was unable to acquire the property at the authorized price and continued to concurrently lease the property and negotiate with the City for its purchase.

It is now proposed that the University be authorized to purchase from the City of Philadelphia, as a package, three parcels of land for a total of $2.5 million described as follows:

1. Nurses' Residence Building and adjoining parking lot consisting of 59,135 square feet, which will be used by the University to house programs displaced from HUP in anticipation of construction of new facilities, relocation of HUP leased offices scattered throughout the area, School of Medicine non-laboratory research and support programs, and several University programs including the University Press, Offices of Radiation and Environmental Safety, and the Annenberg School of Communication Encyclopedia Research Project. This property and its acquisition is viewed by the University as a key to the future expansion of the Health Science Complex.

2. The Botanical Garden is a unique parcel of natural water and greenery which serves as a research facility and provides passive recreation for the University community. Acquisition of this parcel of land consisting of 34,624 square feet will enable the University to control this resource and when appropriate, to commence implementation of its long-range rehabilitation and the subsequent elimination of the existing parking lot off University Avenue.

3. The South Street parcel of land consisting of 36,300 square feet north of the South Street Bridge is adjacent to the University's Hollenback Center. It is planned that this area will be developed into a paved surface parking lot which will serve the parking needs of the ROTC’s faculty, students, and campus athletics. The cost of paving this area will be derived from funds in the Parking Reserve.

The administration is presently examining various methods of financing the acquisition of these three parcels.

RESOLVED, that the acquisition of these three parcels, in accordance with the proposal presented to meeting, be and the same hereby is approved and that the vice president for finance or other appropriate officers of the University be and they thereby are authorized to proceed with acquisition of these parcels and execute such contracts and incur such expenses and obligations—not, however, substantially in excess of the proposed purchase as presented to the Committee—as may in their judgment be necessary or desirable to effect such purchase.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the purchase authorized by the foregoing resolution which are not funded from the sources specifically cited to the Committee or by gifts expressly designated for such purpose be paid or, if previously paid or discharged out of operating funds, be reimbursed out of the proceeds of the sale of a contemplated issuance of tax-exempt notes which it is proposed will be effected through a governmental agency to finance capital projects.
3. Action. A Resolution on the Purchase of an IBM 3081 Mainframe Computer for the School of Arts and Sciences was approved as follows:

Intention:

The Administration has reviewed the proposed expansion plan of the School of Arts and Sciences Computing Facility which consists of returning to IBM the Model Group I machine, which is leased, and purchasing an IBM 3081 D16 at a price of $1,701,000. This decision was made after careful examination of several other machines (manufactured by IBM and others) which would be compatible with existing operating systems and software. Because of the favorable terms given to the University by IBM, the incremental costs to the Facility's operating budget (excluding inflation adjustments) will be approximately $200,000 per year. These costs will be absorbed primarily from two sources: 75% (i.e. approximately $150,000) from externally funded research projects; 25% (i.e. approximately $50,000) from the Dean of FAS. Thus, for a modest increase in the SAS contribution to the Facility, we will be able to vastly increase the computing power available to our students and faculty. The 3081 D16 is a dual processor with sixteen megabytes of memory and a large number of 10 Channels. It is the principal computer in use at Princeton University and is also used at other schools such as Stanford. There is universal recognition of the importance of computing within the University. To attract world class scholars of tomorrow, they must have access to contemporary research tools. The proposed purchase of an IBM 3081 D16 computer will satisfy the research computing needs of the School of Arts and Sciences for the next four to five years. Acquisition of this computer will also advance the University's strong commitment to expanding instructional computing over the next several years.

This purchase has been reviewed and approved by the Research and Resource Sharing subcommittees of the Academic Computing Committee.

The Administration is currently examining alternative methods of financing the purchase of this mainframe with a view towards developing a financing technique which will provide an interest rate below that of the current prime rate. A proposal for such a financing plan is being reviewed by the University Administration which suggests the use of a tax-exempt installment sale through the appropriate tax exempt authority (i.e., the Pennsylvania Higher Education Facilities Authority--PHEFA).

Funding for the loan repayments would be from two sources. First, the interest would be charged to the SAS Computer Facility's operating budget; second, the principal repayment will be derived from assessing depreciation charges against the operating budget on the new mainframe, thereby absorbing the principal payments during each fiscal year over the term of the loan.

RESOLVED, that the purchase of an IBM 3081 mainframe be approved and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such purchase and negotiate such lease agreements and incur such expenses and obligations--not, however, substantially in excess of the estimated cost of such equipment as presented to the Budget and Finance Committee--as may, in their judgment, be necessary or desirable to effect such purchase.
FURTHER RESOLVED, that all costs and expenses incurred in carrying out the project authorized by the foregoing resolution, which are not funded from the sources specifically cited to the Budget and Finance Committee, be reimbursed out of the proceeds of the sale of a contemplated tax-exempt installment sale agreement which it is proposed will be effected through a government agency to finance such purchase.

4. Action. A Resolution on the Construction of a Dental Clinic in the Evans Building was approved as follows:

Intention:

The Administration proposes to construct a modified Model A Dental Clinic which will be located in the 9,126 square foot area on the first floor of the Evans Building that formerly housed the Coleman, Prosthetics, Pedodontics, and Dental Health Education clinics. These clinics will be relocated to other areas of the Evans Building in late August 1984. The creation of this new facility is required to satisfy the School of Dental Medicine's accreditation requirements and to continue to attract well qualified students. Bidding documents for the project have been prepared and the design calls for renovating approximately 6,500 net square feet to provide space for 30 operatories for use in clinical instruction. The cost of this new clinic is estimated to be $490,540. The Administration proposes to advance the funds necessary to complete this project. Total construction costs, together with the financing charges to be assessed at competitive market rates, will be repaid from proceeds from the sale of the Evans Collection. Given the uncertainties of the net proceeds to be realized and the time frame in which they would become available, as well as the need for income generated to be consistent with the University's spending rule, it is estimated that approximately five to seven years will be required to repay the construction costs and associated financing charges associated with this project.

RESOLVED, that the construction of a modified Model A Dental Clinic, in accordance with the proposal presented to the meeting, be and the same hereby is approved and the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such renovation and execute such contracts and incur such expenses and obligations—not, however, substantially in excess of the estimated costs of such rehabilitation as presented to the Committee—as may, in their judgment, be necessary or desirable to effect such renovation.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the renovation project authorized by the foregoing resolution which are not funded from the sources specifically cited to the Committee or by gifts expressly designed for such purposes be paid or, if previously paid or discharged out of operating funds, reimbursed out of the proceeds of the sale issuance of tax-exempt notes which it is proposed will be effected through a government agency to finance capital projects.

5. Action. A Resolution on the Authorization of a Lease Agreement for the Use of Land on the PGH Site was approved as follows:

Intention:

The University has need for additional parking at the southern end of the campus to service the needs of faculty, students, staff, and visitors to the health services facilities and other programs located in this area. To meet this need for
parking, the University proposes that it be authorized to negotiate a five year lease with the City of Philadelphia for a parcel of land on the former PGH site which the University will improve and resurface for use as a parking lot for approximately 667 motor vehicles. The term of the lease shall be for five years and thereafter, year to year renewals, at an annual cost of $80,000 per year. It is estimated that the necessary cost of improvements to resurface this area encompassing approximately 150,000 square feet is $270,000. Both the cost of the improvements as well as the annual rental will be supported entirely by user fees. A pro forma financial projection indicates that this surface parking lot will be self-sustaining within three years.

The City of Philadelphia has the option to terminate this lease agreement, if the City requires use of the land, with thirty days notice. In the event of such a termination, the City has agreed to reimburse the University on a straight-line basis for the unamortized portion of the improvements.

RESOLVED, that the lease agreement and necessary improvements to the leased premises, in accordance with the proposal presented to the meeting, be and the same hereby is approved and the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such replacement and execute such contracts and incur such expenses and obligations--not, however, substantially in excess of the estimated cost of such improvements as presented to the Budget and Finance Committee--as may in their judgment be necessary or desirable to effect such arrangements and improvements.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the project authorized by the foregoing resolution, which are not funded from the sources specifically cited to the Budget and Finance Committee, be reimbursed out of the proceeds of the sale of a contemplated issuance of tax-exempt notes which it is proposed will be effected through a government agency to finance capital projects.

6. Action. A Resolution on the Sale of Property in Hillsborough, California was approved as follows:

Intention:

On 25 January 1983, the University received a gift of two properties from Ruth Wagner Van Meter. The first was her present residence at 565 Chaucer Street, Palo Alto, California, in which Mrs. Van Meter will reside and maintain during her lifetime. The second property consists of 2.0 acres of unimproved land located at 450 Pullman Road, Hillsborough, San Mateo County, California. This was received under unitrust agreements whereby the University would pay to Mrs. Van Meter and to her son and daughter, during their lifetimes, and to her former daughter-in-law, and grandson, in varying percentages, after Mrs. Van Meter's death, and during their lifetimes, but not longer than twenty years, an amount equal to 7 per cent of the trust value annually.

Upon satisfaction of the conditions on each property, the proceeds from their sales will be used to establish "The Ruth Wagner Van Meter and J. Ray Van Meter Professorship in Neurology" in the School of Medicine.

The 2.0 acres of unimproved land was appraised by two realtors engaged for the University at between $450,000 - $600,000 and $750,000 on 25 July 1983 and 31 May 1983, respectively.
In an agreement of sale dated 7 September 1983, executed on behalf of The Trustees of the University of Pennsylvania by John Pyne, Treasurer, the University accepted an offering price of $750,000 from Douglas and Sarah B. Brown for the 2.0 acres of unimproved ground at 450 Pullman Road, Hillsborough, San Mateo, California.

RESOLVED, that the Trustees of the University of Pennsylvania hereby approve the sale and conveyance of the said property to Douglas and Sarah B. Brown for the consideration of $750,000, and further hereby approve, confirm and ratify all actions taken in connection with such sale and the acceptance of the purchase price, and hereby direct and authorize the treasurer or other appropriate officers of the University to proceed with the execution and delivery with the deed, all necessary affidavits and other documents required in connection with such sale and conveyance, and all other actions taken by such officers or their designees necessary or convenient to the accomplishment of said sale and convenient of the property.

D. Development

1. Mr. Lyet reported that the Development Committee had reviewed fund-raising performance and discussed prospects for sustaining that performance in the months ahead, particularly as they apply to the priorities described in "Building Penn's Future." "We were most encouraged to hear that total subscriptions since 1 July are up 38 percent over last year, to a level of $15.3 million," he said, noting especially the heartening growth in the Alumni and Friends categories. "An alumnus, David Jones, made a gift of $1.3 million for a chair in the Veterinary School," the chairman observed, "and another gift from a friend of the Veterinary School came to $1.4 million. We also have three new bequests from friends which total $1.9 million," he said, "and our largest corporate gift was nuclear magnetic resonance equipment, valued at $1.5 million, from the General Electric Company."

Mr. Lyet went on to observe that there was a slight decline of 6 percent in receipts, but a conspicuous increase in payments by corporations, which more than doubled. In both subscriptions and receipts there was a decline in support from foundations, although the University is expecting several large presentations.

He said the committee noted with satisfaction the launching of the Second Century Fund campaign of the School of Veterinary Medicine, with a nucleus fund of more than $9 million in hand toward the goal of $41.5 million. He further mentioned that the University was moving toward a careful consideration of the development aspirations of the School of Engineering and Applied Science. "The School's Board of Overseers has approved a five-year strategic plan and a draft development plan, which contemplates a fund-raising effort in the range of $35 million", he said, "and Mr. Landau will
The chairman of the Board of Overseers of the School of Engineering and Applied Science observed that SEAS has moved into a closer relationship with the University at a number of important levels. "It is now a really significant part of Penn's intellectual basis," he said, "and the development plan the School has so very carefully formulated is basically intellectual in character." Dr. Landau noted that the plan had been reviewed with the overseers and has their enthusiastic support. "It is founded," he explained, "on the premise that SEAS has certain key strengths which make it a valuable University resource and justify its seeking to enlarge its sphere of activities within reasonable bounds." Among these areas of excellence are bio-engineering, management, technology, and computer science. "But they couldn't exist without the basic disciplines of engineering being well founded," Dr. Landau said, "and I believe they are in SEAS."

He went on to characterize the development plan as an "accordion type in which the time frame for achieving goals may expand or contract according to opportunities." He noted that the Delaware Valley chemical industry was an example of a source of financial support that could be tapped only by a first-rate engineering school within a large university. "The overseers want very much to help make sure that those resources flow into Penn through a properly organized and strengthened SEAS," he continued. "Our primary goal in seeking an initial $35 million in funds is for a new building. We cannot conceive of making our academic program work without one. The second phase of the development program," he noted, "will include an effort to increase the endowment and raise funds for, among other things, student aid."

The chairman then called attention to the expenditures of competitive engineering schools in the area of computers. He noted, however, that few of them could attract students of equal quality to those at SEAS. Penn is in a class with Princeton, Cal Tech, MIT, Stanford, Berkeley, and Duke, he said. "Unlike Texas A & M," he concluded, "we don't have oil in the ground; therefore, we have to go out and tap a lot of small gushers."

3. Action. A Resolution on the Development Plans of the School of Engineering and Applied Science was approved as follows:

Intention:

The dean of the School of Engineering and Applied Science, with the advice of the faculty and the assistance of the Board
of Overseers and others, has prepared "The Case for Engineering and Applied Science at the University of Pennsylvania: The Strategic Plan for the School of Engineering and Applied Science 1983-88" dated March 1983 and a Draft Development Plan dated October 1983. The Overseers have reviewed these plans in depth. They feel that now is the appropriate time for a major investment in engineering at Penn if the University is to maintain the excellence of the School and respond to the nation's critical need for enlightened engineers and technologically literate generalists.

The Board of Overseers approves and commends to the Trustees the statement of needs embodied in the strategic and draft development plans. It recommends that the School be authorized to undertake the preparation of a multi-year investment program in the range of $50 million (including $25.5 million for capital projects, $6.5 million for student assistance, $14.5 million for faculty support and $3.5 million in opportunity funds) and initial fund raising for a major development program in the range of $35 million, the exact amount and time frame to be determined after further analysis of the available resources by the School and the Development Department. Responsibility for the investment program will rest with the appropriate University officers with assistance, especially in fund-raising aspects of the program, from the Department of Development and Alumni Relations and the Board of Overseers.

RESOLVED, that the School of Engineering and Applied Science and its Board of Overseers be authorized to proceed with the development plan for the School according to the goals and schedules which they have established, including appointment by the Chairman of the Board of Overseers of appropriate committees and individuals and execution, together with the Development Department, of such other steps as may be necessary to carry out planning and fund raising.

E. Nominating Committee

Acting for Mr. Dorrance, Dr. Chisum presented two resolutions:

1. Action. A Resolution on the Reelection of G. Morris Dorrance, Jr. as a Term Trustee was approved as follows:

RESOLVED, that G. Morris Dorrance, Jr. be reelected as a term trustee for five years, effective 22 October 1983.

2. Action. A Resolution on the Reelection of Margaret R. Mainwaring as a Term Trustee was approved as follows:

RESOLVED, that Margaret R. Mainwaring be reelected a term trustee for five years, effective 22 October 1983.

F. University Responsibility

Mr. Brown observed that in addition to receiving a report on affirmative action at Penn, the University Responsibility Committee voted to recommend to the Investment Board that it sell the 12,000 shares of Dart & Kraft stock in its portfolio. In explaining the reason for this recommendation, he noted that the Committee was charged with recommending policies on the posture of the University on external issues, including the exercise of shareholder responsibility. Acting on a recommendation of the Committee, he then reminded the Trustees that they voted in 1980 to adopt a resolution concerning ownership of stock in companies...
which do business in South Africa which stated in part: "The University Responsibility Committee, after making persistent efforts to change the attitudes of companies over a substantial period shall make recommendations which may include the sale of stock, if there are companies in the University's portfolio which have not adopted sound principles of corporate practice." The Trustees clarified that resolution in 1982 when, again on the recommendation of the University Responsibility Committee, they adopted another resolution stating: "If a company has adopted the Sullivan Principles but is ranked in the Sullivan reports in Category III-A--Received Low Point Rating, Category III-B--Does Not Meet Basic Requirements, or Category IV--Signatories Which Did Not Report, the Committee on University Responsibility should attempt to bring about change by a program of communication with management, and the company should be considered a candidate for divestment if it cannot improve its rating in a reasonable period of time."

Mr. Brown pointed out that consistent with its mandate, the Committee on University Responsibility has been engaged in extensive communications with the management of Dart & Kraft, a company which does business in South Africa and is a signatory to the Sullivan Principles. A 1980 report on the principles noted that the company did not meet the basic Sullivan requirements. A 1981 report gave Dart & Kraft a low point rating. In 1982, the company did not file the required report, and Mr. Brown said that management has informed the Rev. Leon Sullivan and the University Responsibility Committee that "it will not comply with the reporting requirement." He noted that attempts to persuade Dart & Kraft to alter its position have been unsuccessful; therefore, the committee is calling for divestiture. "We assume it will be orderly," he said, "and will be completed over whatever period of time is necessary to achieve prices which are considered fair by the Investment Board."

Mr. Miller added that trustees had been in conversation with Dart & Kraft management as late as 7 a.m. that morning, but they wouldn't change their minds on filing a report on their South African activities. "I think we have no choice but to sell our stock in the company," he said. "Still, you should know that this board has a very strong presumption against using endowment assets to achieve social objectives. The compromise we made with that principle involved an issue of human rights."

G. Trustee Board of the Hospital of the University of Pennsylvania

Action. Noting that as a trustee Mr. Moyer had been a very active member of the HUP Board, Mr. Ballam introduced a Resolution on the Election of F. Stanton Moyer to the Trustee Board of the Hospital of the University of Pennsylvania as follows:
RESOLVED, that F. Stanton Moyer be elected to the Trustee Board of the Hospital of the University of Pennsylvania for a five-year term, effective 22 October 1983.

H. Investment Board

Mr. Neff observed that Mr. Moyer also would remain as a non-trustee member of the Investment Board. "Along with Scott Lederman, he has performed yeoman service in administering the hundred-odd separately administered trusts which amount to about $46 million," the chairman said. "We are indebted to both men."

He went on to observe that since the last Trustees' meeting the "financial markets have thrashed about without really changing. Nevertheless, there has been some selective carnage within this seeming stability, and," he continued, "some refreshing purging."

As an example of the "black holes out there," he noted that in a recent three-day period Digital Equipment, a company which is 80 percent owned by institutions, suffered a 35 percent decline in the per share value of its stock. "In the face of things like this," he continued, "we've done a pretty good job with the AIF. Part of the fight is not losing on one side what you win on the other."

The chairman pointed out that since the end of June the portion of the Fund in cash and cash equivalents declined as a result of putting some 7 percent of the AIF into U.S. Treasury 11-7/8ths bonds due in 1993 at a 12.21 percent yield to maturity. About 55 percent of the Fund is invested in common stocks, and Mr. Neff noted that despite the market advance, their current yield is 6.4 percent versus about a 4.2 percent yield for the Standard & Poor (S&P) 500 Stock Average. Overall, the portfolio's yield is 8.3 percent.

Mr. Neff went on to observe that since mid-year, the AIF has increased 0.8 percent per share on a total return basis and the common stock portion of the Fund is up 9 percent (total return) compared to a 2.7 percent advance for the S & P 500. AIF bonds increased 4.2 percent during the same period versus a 0.4 percent decline in the Salomon Brothers High Grade Corporate Bond Index. Gross investment income for the next 12 months is estimated at $23.20 per share which is 14.4 percent higher than the amount projected on 31 December 1982 for the 1983 calendar year. "An average increase in dividends of 8 percent helps," the chairman said, and he further noted "that the stocks purchased since 30 June are yielding 7.1 percent whereas the ones sold yielded 5 percent."

Mr. Neff pointed out that in the past four years AIF stocks have increased 156 percent on a total return basis compared with
an S & P advance of 92 percent. Bonds in the portfolio have increased 62 percent during this period versus a 45 percent rise in the Salomon Brothers Index. "These fixed income securities have an 11- or 12-year maturity," he said, compared to the 28-year average maturity for Salomon Brothers bonds. The per share return of the AIF since 1980 is up 107 percent, which is about a 21 percent annual rate."

"The correction in the underevaluation of the financial assets has been pretty largely accomplished," Mr. Neff concluded. "These boxcar numbers are not likely to be repeated, but we hope to keep moving in a positive direction."

Mr. Miller added that the total value of the AIF is now just under $280 million, up from $134 million four years ago. "The total endowment," he said, "is about $326 million, and while that doesn't make Penn wealthy in comparison to its peers, there has been $61 million in new money added to the Fund since 1979. We've reinvested $15 million under the spending rule," he continued, "and we are grateful to Mr. Neff, and Rich Worley on the bond side, for the kind of management that has helped us achieve so much."

The chairman further noted that the AIF was rated in the upper quartile of all university endowment funds for the past five-year period. The compounded results are just short of 18 percent which is well above the 16.5 percent demarcation line for the quartile. For the past three years, according to Mr. Miller, the Fund results of 21 percent compounded also show Penn in the top quartile. "I think," he concluded, "that we can look ahead with confidence."

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University