Minutes of the Stated Meeting
of the
Executive Committee of the Trustees of the University of Pennsylvania

4 May 1984

A stated meeting of the Executive Committee was held on Friday, 4 May 1984. Trustees attending included: Walter G. Arader; Samuel H. Ballam, Jr.; Gloria Twine Chisum; Charles D. Dickey, Jr.; G. Morris Dorrance, Jr.; John W. Eckman (vice chairman); Sheldon Hackney (ex officio); John P. Hellwege, Margaret R. Mainwaring; Paul F. Miller, Jr. (chairman); and John B. Neff. Among others present were: Ann Bailey; James Bishop; Stuart Carroll; Richard Carter; Richard Clelland; Ann Duffield; Thomas Ehrlich; Karen Gaines; Paul Gazzerro, Jr.; Shelley Green; Marshal Ledger; Robert Lorndale; Dorothy Malloy; Lynn Manko; Edward McFall; Denise McGregor; Mary Ann Meyers; Helen O'Bannon; William Owen; and Virgil Renzulli.

I. Call to Order
The chairman called the meeting to order and the minutes of the 2 March 1984 meeting were approved as written by the secretary.

II. Report of the Chairman

Mr. Miller observed that when the Trustees meet in June, it appears that Penn will have broken its single-year fund-raising records for new gifts and subscriptions as well as for actual receipts of cash and securities. He reported that the subscription total of $55.2 million through the end of April was 23 percent, or $10.5 million, ahead of the same time a year ago and closing fast on the all-time record of $59.3 million, which was set in 1975-76.

"The year-over-year comparisons of receipts of cash and securities is even more positive," he said. This year's total of $48.8 million is 30 percent, or $11.0 million, ahead of last year's results and only $500,000 shy of last year's record performance. New gifts and subscriptions from alumni and friends are $3.6 million ahead of last year. The principal components of this increase are leadership gifts to the Veterinary Medicine and Morris Arboretum capital campaigns, bequests from non-alumni friends, and a million-dollar increase in Annual Giving programs. Annual Giving highlights thus far include the 25th and 50th reunion classes up 15 percent, other undergraduate alumni up 22 percent, and Law School alumni and friends up 58 percent," he noted.

Mr. Miller went on to say that institutional donors account for 60 percent of this year's new gifts and subscriptions. "Since we last met in March," he observed, "our corporate fund-raising performance has set a new single-year record for the University, and we anticipate significant additions before year-end. Foundations are 3 percent behind last year's
pace, but will almost certainly exceed last year's total of $15.4 million." The chairman also noted that association support, typically heavily concentrated in research activities, is running particularly strong this year due to the receipt of funds from the Annenberg School of Communications for the physical expansion of the Annenberg School.

Making one final encouraging comparison, Mr. Miller reported that additions to endowment and funds functioning as endowment, currently totaling $16.3 million for FY'84, are 30 percent ahead of last year. "Between these additions, the endowment results, and the ploughback of our income above the spending rule," he concluded, "we've been getting growth in the endowment which is far better than anything we've seen over the past 30 years."

III. Report of the President

A. Dr. Hackney noted that since the March meeting of the Executive Committee there had been elections on campus resulting in the emergence of new leaderships in the student body and faculty. He welcomed Anthony Tomazinis, the chair-elect of the Faculty Senate, Amy Lyman, the chair of GAPSA, and Brooks Harris, the chair of the Undergraduate Assembly to their positions and pledged that the administration would work very hard to develop good relationships with them and to assure real progress in the next year.

The president went on to note that one of the major objectives of the University this year has been the development of a new student judicial code. Observing that the University Council had considered various recommendations for change over the winter, he said members had concluded their discussion the previous week and made some recommendations to him. "I am very pleased with the outcome," Dr. Hackney declared. "We will be able to put a new code into effect next year, which provides, for instance, for faculty members to be represented on hearing panels and in other ways makes the system much more efficient and effective. All of this is being done with a very wide degree of consensus. There are still a few judgments to make on closely decided questions, and I will have to make them over the summer. Undoubtedly some people will not like every feature of the new code, but, in general, it promises to receive wide-spread faculty and student support." Dr. Hackney then noted with thanks the contributions of the General Counsel's Office, of the new Senate Chair Jacob Abel, and of two students, Bette Kauffman and Ed Szczepkowski.

He went on to say that a year-long assessment on communication on campus by a faculty committee also was coming to a conclusion. He characterized the report printed in the Almanac as helpful, and drew attention to several of its conclusions. "One is that the faculty support Almanac very strongly," he said. "It is a journal of record for them and a publication they look to with great sense
of reliability. They particularly value the "Speaking Out" column as a vehicle for expressing faculty opinions. Another interesting result is that everyone said that communication on campus had improved since the publication of the Penn Paper." Dr. Hackney added that the administration now has to decide "what to do with the results of the survey and what to do about communications on campus."

B. Academic Report

The provost cited the University's computing initiative as a prime example of the academic excitement on campus. David Stonehill, the vice provost for computing at the University of Rochester, had been chosen from a field of 160 candidates to be Penn's vice provost for computing with authority and responsibility for all aspects of computing throughout the campus. Mr. Ehrlich went on to mention that the University had signed purchase agreements with Apple and Digital Equipment Corporation and was working out an agreement with IBM.

He then noted that planning efforts, apart from computing, are moving forward in the University as a whole and in each of the schools and resource centers. He called attention to a report on planning in the current issue of Almanac, noting that it tries to set out where Penn is heading. He further observed that Vice Provost Bishop had published "a clear and careful statement of his views and visions of University life" in that issue of the campus newsletter.

1. Action. A Resolution on the Fannie E. Rippel Foundation was approved as follows:

Intention:

The Fannie E. Rippel Foundation requires that the Trustees pass the following resolution in connection with a $150,000 grant to the School of Medicine.

RESOLVED, that the Trustees of the University of Pennsylvania

(a) accept the grant from the Fannie E. Rippel Foundation and all its terms as set forth in a letter dated January 24, 1984 addressed to Dean Edward J. Stemmler and signed by Herbert C. Engler;

(b) specify that the proceeds of this grant shall be used exclusively for the purposes stated in paragraph numbered 1 of the above said letter dated January 24, 1984;

(c) agree that the Fannie E. Rippel Foundation shall not receive any benefit from nor exercise any control over the project for which this grant has been made;

(d) specify that the University of Pennsylvania has not received, as of the date of this formal action, any notice that the United States Treasury Department has determined that it is no longer not a private foundation nor private operating foundation; and
(e) notify the Foundation that the Executive Committee of the Board of Trustees of the University of Pennsylvania is authorized by the Board of Trustees to exercise all of the powers of the Board between meetings of the Board of Trustees.

2. Action. Following the provost's observation about the excellence of the seven proposed appointments to tenure, including William P. Reinhardt as professor of chemistry, Terry L. Friesz as associate professor of civil engineering, Jean H. Gallier as associate professor of computer and informational science, Douglas A. Lauffenburger, as associate professor of chemical engineering, Lawrence E. Thibault, as associate professor of bioengineering, John R. Hayer, as professor of pediatrics, and Peter C. Whybrow, as professor of psychiatry, a Resolution on Appointments, Promotions, and Leaves was approved as found on pages 1 through 21 of the meeting book.

C. Financial Report

Mrs. O'Bannon reported that the University's budget for FY'84 continues to track very closely. The University projects a surplus of $603,000 after paying mandatory deficit amortizations for the High Rises and Graduate Hospital. She noted that Penn's expenditures from restricted funds increased by 10.6 percent for the nine months ending 31 March 1984, as compared with the same period last year. Because of an increase in restricted-fund receipts, however, the University is now showing a projection of some 7.7 months of expendable awards, that is, if available restricted funds are expended at the rate that we historically expended them, they will last for 7.7 months whereas last year the projection was for only 6 months. "What we are doing is building up a backlog," the senior vice president said, "and although we are increasing our expenditures, we are increasing our income as well." She went on to note that the Hospital is again projecting a modest surplus for this year. While overall patient revenues are down, HUP has been able to reduce expenses and income from non-patient revenues. Mrs. O'Bannon said that current information on the Clinical Practices is not available as these groups report only on a quarterly basis. I think," she concluded, "that the University is in a modest state of wealth."

IV. Report of Trustee Committees

A. Budget and Finance

Mr. Eckman introduced seven resolutions that had received previous approval by the Budget and Finance Committee.

1. Action. A Resolution on the Pledging of Funds Functioning as Endowment as Security for PHEFA Floating/Fixed Rate Bonds was approved as follows:
Intention

The administration has determined that the University's best interest would be served by securing the bond offering proposed to be issued for the benefit of the University by the Pennsylvania Higher Educational Facilities Authority in the approximate principal amount of $26,000,000 (the PHEFA Floating/Fixed Rate Bonds) by a pledge of securities forming a part of the University's permanent capital. The Office of General Counsel of the University, in cooperation with the firm of Drinker Biddle & Reath, which is acting as bond counsel for the offering, has concurred with the administration that securities presently held in the Associated Investment Funds of the University, representing and equal in value to the Funds set forth in the schedule deposited with the Secretary of the University (as listed in the tabulation entitled "Endowment and Other Funds" of the University as of June 30, 1983), along with the companion funds relating thereto may legally and properly be assigned and pledged as collateral security for the payment of the Bonds.

RESOLVED, that the pledging and assignment, as security for the payment of the PHEFA Floating/Fixed Rate Bonds, of securities held in the University's Associated Investment Funds having a market value not substantially in excess of the aggregate value of the Units in the Associated Investment Funds owned by the Funds and their respective companion funds listed on the schedule which has been deposited with the Secretary of the University are hereby authorized and approved. The Secretary is directed to retain with the records of this meeting such schedule of Associated Investment Funds.

FURTHER RESOLVED, that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to take such action and execute such documents on behalf of the University as may be necessary or advisable in the future to ensure that the PHEFA Floating/Fixed Rate Bonds are fully collateralized as may be required by the terms of the agreements relating to the Bond issue.

2. Action. A Resolution on the Authorization of the Financing of Equipment, Related Capital Equipment, and Attendant Capital Additions through PHEFA was approved as follows:

Intention:

The Trustees of the University of Pennsylvania (the "University") have approved the acquisition of certain equipment, related capital equipment, and attendant capital additions to certain facilities (the 'Project') including, but not limited to, computers, classroom, and scientific equipment.

The administration of the University desires to apply to the Pennsylvania Higher Educational Facilities Authority (the "Authority") to issue up to $26,000,000 in aggregate principal amount of its Pennsylvania Higher Educational Facilities Authority, The Trustees of the University of Pennsylvania Floating/Fixed Rate Bonds, First Series of 1984 (the "Bonds") and to loan the proceeds of the Bonds to the University to pay for the cost of the Project.

The Bonds will be issued pursuant to a trust indenture (the "Trust Indenture") to a bank to be appointed by the Authority with the concurrence of the University as Trustee (the "Trustee").
The Bonds shall have a term not to exceed 20 years, shall, until converted to fixed rate bonds in accordance with the right reserved unto the Authority and the University, bear interest payable monthly at a floating rate (the "Floating Rate") to be not less than 80 percent nor more than 120 percent of the Lehman Brothers tax-exempt commercial paper index as determined and calculated weekly by Lehman Brothers Kuhn Loeb (the "Indexing Agent") pursuant to the terms of a remarketing agreement (the "Remarketing Agreement") between the Authority, the University and the Indexing Agent, but in no event shall the Floating Rate exceed a maximum of 14 percent per annum.

The Bonds shall be subject to optional redemption or repurchase by the Authority, on behalf of the University, upon 15 days notice to the holders thereof, and, during such time as the Bonds bear interest at the Floating Rate, the holders thereof shall have the right to tender their Bonds upon seven days' notice to the Trustee and/or a paying agent appointed by the Authority (the "Put Option").

The Remarketing Agreement shall provide that, during such time as the Bonds bear interest at the Floating Rate, the Indexing Agent shall undertake to remarket the Bonds in the event that any of the holders thereof exercise the Put Option.

It will be necessary for the University to enter into a stand-by purchase agreement (the "Stand-by Agreement") with the Indexing Agent, Authority and Trustee pursuant to which the Indexing Agent will agree to purchase the Bonds for a period of 90 dollar days in the event Bonds are put by the holders thereof and not resold.

In order to facilitate the processing of the Put Option and the subsequent remarketing of the Bonds pursuant to the Remarketing Agreement and the Stand-by Agreement, the University will be required to enter into a depository agreement (the "Depository Agreement") with the Authority, the Trustee, the Indexing Agent and a New York bank to be chosen by the University to act as a depository (the "Depository") which Depository Agreement shall permit the Depository to draw against uncommitted lines of credit established for the benefit of the University in the event and to the extent that Bonds are not resold under the Remarketing Agreement and the Stand-by Agreement subsequent to a put.

To accomplish the issuance of the Bonds and financing of the Project, the University will be required to enter into a loan agreement (the "Loan Agreement") with the Authority pursuant to which the Authority will lend the proceeds of the Bonds to the University to enable it to pay the costs of the Project and in turn the University will make payments to the Authority in amounts and at such times as shall be sufficient to pay the debt service requirements of the Bonds.

In order to secure the payment obligations of the University under the Loan Agreement and the Authority under the Bonds, the University will be required to (i) grant a security interest in and to deposit in the Debt Service Reserve Fund created under the Indenture certain marketable securities, more specifically described in the Loan Agreement, comprising a portion of its permanent capital contained in the Associated Investment Funds derived from gifts and bequests or the income therefrom and (ii) to maintain liquid assets and/or uncommitted lines of credit equal to the principal amount of Bonds from time to time outstanding, plus 90 days' interest thereon.
In connection with the issuance of the Bonds by the Authority and the sale thereof to Lehman Brothers Kuhn Loeb Incorporated, as underwriter (the "Underwriter") the University will be required to consent to the terms of, and to execute a bond purchase agreement (the "Purchase Contract").

In connection with the issuance of the Bonds, the Underwriter will be required to distribute a preliminary official statement (the "Preliminary Official Statement") and an official statement (the "Official Statement") both of which documents will contain certain information with respect to the University.

Prior to the issuance of the Bonds, the University will be required to execute and deliver to the Authority an application for financing assistance (the "Authority Application") and in addition will be required to pay certain fees related thereto.

The administration of the University seeks approval to proceed with the Project financing and to establish an Ad Hoc Committee of the University to approve the specific terms and conditions of this offering substantially outlined under the terms and conditions described in the document entitled "University of Pennsylvania Equipment Financing Program Floating/Fixed Rate Bonds Term Sheet," and deposited with the Secretary of the University.

The University desires to authorize all action related to the above matters.

RESOLVED, that an offering of not more than $26,000,000 in principal amount of the Bonds for the purposes of paying costs of the Project is hereby authorized and approved and the Vice President for Finance together with other appropriate officers of the University be and they hereby are authorized and directed to proceed with such offering and sale subject to approval of the final terms and conditions thereof, and of the form and content of all documents relating thereto by the Ad Hoc Committee as contemplated by the following resolutions; and

FURTHER RESOLVED, that pursuant to Section 4.01 of the Statutes of the University it is hereby created a Capital Equipment and Related Capital Additions Floating/Fixed Rate Bond Ad Hoc Committee (the "Ad Hoc Committee") to consist and be composed of the Chairman of the Trustees, Paul F. Miller, Jr.; the Chairman of the Trustees' Budget and Finance Committee, John W. Eckman; and the Chairman of the Investment Board of the University, John B. Neff; and it is hereby delegated to such Committee, to the extent necessary, the full power of the Trustees to act on behalf of the University with respect to the matters referred to in the foregoing resolutions, including, without limiting the generality of the foregoing:

(a) giving the final approval to the Official Statement or offering memorandum and necessary documents referred to therein;

(b) subject to the principal and interest limitations in the foregoing resolutions, approving and authorizing (i) the maturity of the Bonds, the aggregate principal amount of the Bonds and the terms of the Debt Service Reserve Fund for the Bonds, (ii) the underwriting fees or discounts and the public offering price of the Bonds, (iii) the terms and provisions of the following documents: the Loan Agreement, the Trust Indenture, the Remarketing Agreement, the Stand-by Agreement, the Depository Agreement, the Purchase Contract, the Preliminary Official Statement, the Official Statement and the Authority Application;
(c) giving of such further approvals or authorization, or taking of such additional action as the Ad Hoc Committee may determine to be necessary or advisable to implement or carry into effect the proposed offering and sale of the Bonds and the financing of the Project; and

FURTHER RESOLVED, that the Vice President for Finance of the University or other appropriate officers of the University be and hereby are authorized to sign and execute all documents pursuant to this resolution and the Secretary, the Associate Secretary, or the Assistant Secretary is hereby authorized to affix to such documents and attest the corporate seal of the University; and

FURTHER RESOLVED, that all actions heretofore taken by the appropriate officers of the University in furtherance of the Project and the issuance of the Bonds are hereby approved, ratified and confirmed.

3. Action. Taking account of Mr. Eckman's notation that the final structure of Penn Plan funding has yet to be determined and that Mr. Dorrance, the chairman of Corestates Financial Corporation and The Philadelphia National Bank, had left the meeting during the discussion of the matter before the committee, the remaining trustees approved a Resolution on Certain Financial Components of the Penn Plan as follows:

Intention:

The administration, pursuant to authority previously granted, has proceeded to establish interest rates for the Penn Plan, its method for assisting students and their families to finance an undergraduate education.

After full consideration, and in consultation with the Penn Plan Ad Hoc Committee, the administration proposes to offer the Penn Plan in the Fall of 1984 as follows:

I. For the entering Freshman Class of 1984

Plan A. Guaranteed Tuition/Extended Payment Plan

Total tuition for a 4-year undergraduate degree (fall and spring semesters) is fixed at four times the first year's tuition and fees ($38,400), thus guaranteeing that tuition and fees will not increase in the sophomore, junior, and senior years. The family borrows the total tuition and fees ($38,400) minus a downpayment at a fixed annual percentage rate of 10.0%. The loan is amortized over a 10 year period in equal monthly payments.

Plan B. Annual Tuition/Extended Payment Plan

After a downpayment by the family at the beginning of the freshman year, the family each semester borrows the balance of the tuition needed at percentage rates that may vary quarterly but will not exceed 12.0%. The family agrees to make fixed monthly payments over the life of the debt.

Plan C. Guaranteed Tuition/Single Payment Plan

A student's entire 4-year tuition cost (fall and spring semesters) is $38,400 and is paid in one single payment at the beginning of the student's freshman year. Thus, the tuition rate for the four years is guaranteed at the first year's rate. The entire amount of $38,400 must be paid in one payment at the beginning of the student's freshman year. If a student leaves Penn prior to completion of the four years, the family
will receive an appropriate refund based on the number of semesters in attendance or portions thereof, as established by regulations of the University.

II. For All Undergraduates

Plan D 10 Month Installment Payment Plan

Offer to all undergraduates and their families the option of spreading their semi-annual tuition and fee payments over a 10 month period. The interest to be charged under this method will be the prime rate.

RESOLVED, that the interest rate structure outlined above be and the same hereby is approved for the 1984-85 year, and that the Vice President for Finance or his designee be and hereby is authorized to enter into an agreement with an appropriate financial institution to effect said structure.

FURTHER RESOLVED, that upon and subject to execution of an agreement as authorized by the foregoing resolution, the Vice President for Finance and other appropriate officers of the University are hereby authorized, from time to time, to take such steps and to execute all such other documents as they may deem necessary to carry out the intentions of such agreement, including but not limited to (a) the investment of up to $20,000,000 from the University's Temporary Investment Funds in one or more Certificates of Deposit issued by the financial institution which is party to the agreement, (b) the maintenance of such investment at all times in an aggregate amount not less than its aggregate amount of outstanding Penn Plan tuition loans, (c) the guarantee of tuition loans made by the financial institution under Plan B (but only with respect to students receiving financial aid) and Plan D, and (d) the partial guarantee of other tuition loans made by such financial institution under Plans A and B (as such Plans are described in the foregoing Intention).

4. Action. A Resolution on the Sale of the Ware Properties in Dade County, Florida was approved as follows:

Intention:

On February 16, 1978, a gift of real estate was given to the University by John H. Ware, 3rd (W'30) and Willard M. Ware (W'32) and his wife, Rhoda C. Ware. The property is comprised of two parcels of land--Parcel #1 - 277,990 square feet or 6.38 acres and Parcel #2 -23,200 square feet--located on N.W. 37th Avenue at N.W. 25th Street in Dade County, Florida. This gift was appraised at fair market value on March 1, 1978 for $1,703,600.00.

Previously, on January 10, 1973, the Wares had given the University a gift of their company, the Ware Aluminum Windows, Inc., which the University sold on June 30, 1973 for $1,342,141.00.

Under the deed of the gift, the net proceeds from the sale of the business and property are to be applied equally to establish the Willard and Rhoda Ware Professorship in Diabetes and Related Metabolic Diseases Fund and the John Ware Family College House Fund.

These funds have been established and employed for the stated purposes. In the case of the Ware College House project, monies were advanced from the proceeds of the general mortgage to fund the project in anticipation of the ultimate sale of the
business and property and receipt of the full proceeds. These general mortgage monies will be refunded upon the receipt of the proceeds from the sale and employed for other high priority capital projects.

On May 14, 1981 the Trustees authorized the sale of Dade County, Florida properties given to the University by the Ware family. The prospective purchaser was Yale Orgon Manufacturing Company, but the firm subsequently withdrew from negotiations. A new purchaser has now been found.

RESOLVED, that the Trustees of the University of Pennsylvania hereby approve the sale and conveyance of the said property to Anthony Abraham and Genevieve Abraham, his wife, under the terms of the agreement of sale signed February 20, 1984, for the price of $1,750,000 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 President of the University or his designee 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 officer or his designee necessary or convenient to the accomplishment of said sale and conveyance of the property.

5. Action. A Resolution on Renovation and Construction in the Medical Laboratories Building was approved as follows:

Intention:

The administration proposes to renovate Room D in the Medical Laboratories Building for use as a seminar/conference room for the Institute of Neurological Sciences. Above the conference room it proposes adding a second floor of shell space at this time to provide office space at a later time.

The cost of renovation is estimated at $290,000. Of this amount, $154,000 will come initially from the University Reserve for Physical Plant that was set aside for laboratory renovations and $156,000 will come from the School of Medicine Education and Development Fund.

RESOLVED, that the renovation of Room D in the Medical Laboratories Building, estimated to cost $290,000, be and the same hereby is 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 renovation and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such rehabilitation as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such rehabilitation.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the renovation authorized by the foregoing resolution which are not funded from the sources specifically cited to the Budget and Finance Committee or by gifts expressly designated for such purpose be paid, or, if previously paid or discharged out of such 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 government agency to finance capital projects. To the extent the project is thus financed through issuance of tax-exempt notes, the retirement of the debt principal and associated interest expense shall be the responsibility of the School of Medicine, to be discharged within the established amortization period for the financing.
6. Action. A Resolution on Chilled Water Replacements and Interconnections was approved as follows:

Intention:

The administration proposes to improve its chilled water facilities in the Laboratory for Research on the Structure of Matter (LRSM) and Chemistry Laboratories and to connect the two for improved operating efficiency.

The administration proposes replacing one 440-ton chiller in LRSM and two 750-ton chillers in Chemistry. The chiller in LRSM is at the end of its useful life and has begun to exhibit operating problems. One 750-ton chiller in Chemistry is not working and has been cannibalized for parts. The other is in marginal condition. To improve the operating efficiency of its chilled water operations in the east part of campus, the administration proposes connecting the LRSM chiller to the Chemistry chilled water loop.

The entire project is estimated to cost $850,000. The administration proposes advancing $850,000 from general University operating funds and amortizing the costs over eight years through utility charges.

RESOLVED, that the replacement of three chillers and the construction of a connecting loop at an estimated cost of $850,000, as outlined above, be and the same hereby are 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 replacement and construction and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such replacement and construction as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such replacements and construction.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the replacements and construction authorized by the foregoing resolution which are not funded from the sources specifically cited to the Budget and Finance Committee or by gifts expressly designated for such purpose be paid, or, if previously paid or discharged out of such 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 government agency to finance capital projects. To the extent the project is thus financed through issuance of tax exempt notes, the retirement of the debt principal and associated interest expense shall be the responsibility of the utility services operation, to be discharged within the established amortization period for the financing.

7. Action. A Resolution on the Asbestos Removal Program was approved as follows:

Intention:

When questions regarding the possibility of health hazards existing due to asbestos exposure were first raised at the University, airborne level tests were conducted in several properties. Those tests revealed that no exposure hazards were detected based on the then-existing standards and acceptable levels of exposure promulgated by OSHA. Subsequently, the University's policy has been to manage its properties through periodic surveys and testing; the University has removed asbestos from pipe coverings, heating, and cooling insulation
and damaged ceilings in selected residential and non-residential rooms. To date, the accumulated cost of that removal approximates nearly $1 million. The management of asbestos exposure in the student residences has become more difficult because some students do not always heed admonitions not to attach items to their ceilings which would disturb the ceiling structure. Water damage this year has been extensive due to an unusual cold period during the holiday season.

After reviewing the increase in costs on the incremental basis for a room-by-room removal, as well as the associated student dislocation during such removal, the administration has developed a three-year plan for the orderly, cost-effective, and expeditious removal of asbestos from the ceilings in the eight residences affected. The total cost of asbestos removal, insurance, project management, and contingencies is projected to be $3.0 million. The administration proposes to use funds set aside for various compliance requirements and to advance the remaining funds necessary to complete this project from general University funds. It would amortize the cost of this project over a seven-year period to be paid back from a combination of charges to the residence system, auxiliary enterprises, and general operations.

RESOLVED, that the asbestos removal program as outlined above, 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 construction and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such replacement and construction as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such replacements and construction.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the conversion and renovation authorized by the foregoing resolution which are not funded from the sources specifically cited to the Budget and Finance Committee or by gifts expressly designated for such purpose be paid, or, if previously paid or discharged out of such 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 government agency to finance capital projects. To the extent the project is thus financed through issuance of tax-exempt notes, the retirement of the debt principal and associated interest expense shall be the responsibility of the utility services operation, to be discharged within the established amortization period for the financing.

B. Investment Board

Mr. Neff observed that since the start of the 1984 fiscal year, the investment climate "has turned a little rough." He pointed out that the Standard and Poor 500 Stock Average was down 1.2 percent, on a total return basis, and the Salomon Brothers High Grade Bond Index showed a 3.2 percent loss in the same period. "Weighted, that is a 1.9 percent decline," he said, "and it's not exactly a wind to our backs. Nevertheless," he continued, "we've done a little better than the major indices, with the Associated Investment Funds (AIF) total return up 1.8 percent. Since 30 June 1983, the Funds have appreciated 7.5 percent, total return, and the
common stock portion has risen 9 percent during the same period."

The chairman then commented that the market seems to have become "somewhat overzealous or ahead of itself." He noted that on the bond side it is in "one of its periodic fits of absolute depression from which everyone is certain it will never recover and, therefore, it is probably near the bottom of its downward swing." Since the end of last year, he pointed out, we have seized the opportunity to boost the common stock portion of the Funds from 55 percent to 61 percent, drawing down the intermediate-term government bonds to 4 percent. "We're fully invested in the equities side," Mr. Neff said. "On the bond side, we have 8 percent in cash and cash equivalents, with the other 27 percent in fixed-income securities--almost exclusively various mortgage pools."

The chairman observed that current yield on AIF common stocks is 7.2 percent. The overall return is 8.5 percent. "I would agree with the general consensus that we're not going to see much positive happen in the equity market until the bond market comes around," Mr. Neff said. "I don't disagree with the observation that, given hyperinflation, the only way to go is with equities. On the other hand, I think we will do a better job in controlling inflation than we're being given credit for in the bond market--prospectively in the area of 5-6 percent. We remain rather conservatively invested, but we've got our eyes wide open."

V. Overseers and Other Boards

A. Action. A Resolution on Appointment to the Board of Overseers of the Graduate School of Fine Arts was approved as follows:

"RESOLVED, that Willard G. Rouse III be appointed to the Board of Overseers of the Graduate School of Fine Arts for a three-year term, effective 6 April 1984."

B. Action. A Resolution on Appointment to the Board of Overseers of the School of Arts and Sciences was approved as follows:

"RESOLVED, that Morton Kornreich be appointed to the Board of Overseers of the School of Arts and Sciences for a three-year term, effective 6 April 1984."

C. Action. A Resolution on Appointments to the Board of Overseers of the School of Engineering and Applied Science was approved as follows:

"RESOLVED, that Charles F. Fetterolf and Edward G. Jefferson be appointed to the Board of Overseers of the School of Engineering and Applied Science for three-year terms, effective 6 April 1984."

D. Action. A Resolution on An Appointment to the Advisory Board of the Institute of Contemporary Art was approved as follows:

"RESOLVED, that Alice Saligman be appointed to the Advisory Board of the Institute of Contemporary Art for a three-year term, effective 4 May 1984."

Adjourned.

Respectfully yours,

Mary Ann Meyers
Secretary of the University