A Stated Meeting of the Trustees was held on Friday, 18 January 1985. Trustees attending included: David C. Auten; Samuel H. Ballam, Jr.; Julian S. Bers; Gordon S. Bodek; Susan W. Catherwood; Henry M. Chance II; Charles D. Dickey, Jr.; F. Eugene Dixon, Jr.; G. Morris Dorrance, Jr.; John W. Eckman; James J. Gavin, Jr.; Bruce J. Graham; H. Samuel Greenawalt; Sheldon Hackney; Linda White Hall; John P. Hellwege; A. Leon Higginbotham; John V. James; Reginald H. Jones; Carl Kaysen; Robert P. Levy; William Thomas Lockard; Margaret R. Mainwaring; Paul F. Miller, Jr.; Paul S. Miller; Anthony S. Minisi; John B. Neff; William D. Patterson; John H. Porter; Ralph S. Saul; Alvin V. Shoemaker; Robert L. Trescher; Jacqueline G. Wexler; and Charles S. Wolf. Others present included: Vicki Bernstein; James Bishop; Jean Brownlee; Michael Carroll; Mark Caro; Richard Clelland; Ann Duffield; Thomas Ehrlich; Jeff Goldberg; Shelley Green; Lal Heneghan; Henry Hoenigswald; Charlotte Jacobsen; Stanley Johnson; Marshall Ledger; Robert G. Lorndale; Amy Lyman; Lynn Manko; Ed McFall; Mary Ann Meyers; Steven Mullinix; Helen O'Bannon; William Owen; Virgil Renzulli; Larry Schmidt; Glen Stine; Dilyis Winegrad; and Paul Zingg.

I. Call to Order

Chairman Miller called the meeting to order and an invocation was offered by Chaplain Johnson. The minutes of the 26 October 1984 meeting were approved as written by the secretary.

II. Report of the Chairman

Mr. Miller had no report.

III. Report of the President

Dr. Hackney reminded the Trustees that two hundred years ago Penn had been undergoing a period of post-revolutionary adjustment, caught up in the political aftermath of Provost Smith having been declared a Tory. "You may recall from your history if not from your direct recollection," he said, "that the result was the suspension of the powers of the Trustees of the College of Philadelphia by the state legislature and the creation of a new board of trustees for what was for a time known as the University of the State of Pennsylvania. It was not until 1789," he continued, "that the old Trustees were reinstated and Provost Smith resumed leadership of the College, albeit briefly. The point is: you may think we have problems now, but it was worse then."
The president went on to say that the principal planning activity of the year had resulted in the draft document called "Investing in Penn's Future," which describes how the University intends to implement some of the priorities that have been identified in previous planning documents. "I invite your comments," he said. "If you find ways to improve it, the provost and I would certainly like to hear from you." Since publishing its initial planning document, "Choosing Penn's Future," Dr. Hackney observed that Penn had been trying to allocate resources in accordance with the priorities that were set forth there, in its annual budgeting cycles, and in the incremental decisions made in the course of the year. "A good bit of planning and a good bit of action is now coming out of the work of the Faculty Council on Undergraduate Education," he said, "and I want to commend that group for its imagination and for creating some new efforts that have added to the richness of the undergraduate curriculum."

Dr. Hackney went on to report that the 1985 President's Forum is going to focus on the family. The title is "What's Happening to the American Family," and a faculty committee under the leadership of Professor Frank Furstenberg is planning a series of events. "The first few," the president said, "will be in conjunction with the School of Social Work's 75th Anniversary celebration this spring, and Louise Shoemaker intends to bring in some very stellar guests." He went on to note that the Pappas Fellow for this year will be Beverly Sills, who will begin a week-long campus visit on 28 January. She is the third fellow, as the president pointed out, and will be staying at college houses, presenting a major public lecture, and holding a series of seminars and meetings with faculty and students. "It's a good opportunity for the campus to get to know one of the current leaders of the American arts," Dr. Hackney said. "Ms. Sills has achieved great success, both as a performer and as an arts administrator."

Turning to other signs of the University's good health, he observed that the undergraduate admissions pool is going to be very strong this year. There is a 21-percent increase in applications for early decision, which is the largest increase in that category among the Ivy League schools, and means that next September's freshman class already has one-fifth of its members in place. "The downside of that good news," the president noted, "is that Penn is having to say no to an increasing number of very good students from Penn families. I hope that some of those will be able to be accepted later," he continued, "but, frankly this is a problem that we've been working to have. Although the application period is not quite over yet, we expect the total number of applicants to be somewhat ahead of last year, which was somewhat ahead of the year before, which was a record year in itself."

He went on to note that the Investment Fund is doing very well, that awards for sponsored research are up in the current year, that major gifts are very encouraging, and that Penn had a very successful fall in intercollegiate athletics with a football championship, fine performances from the women's cross-country, volleyball, and field hockey teams, as well as a good showing in varsity soccer. Dr. Hackney mentioned that early in February he will be going to Atlanta, Tampa, and Palm Beach for a series of meetings with alumni and friends of the University, that in March he will be in southern
California, and later in the spring in the Midwest. "My message," he concluded, "will be that the University is doing well, and that we need their support, and that I expect that we will be able to get it."

A. Academic Report

Provost Ehrlich announced the establishment of the Franklin Paine Professorship in the Department of Obstetrics and Gynecology in the School of Medicine. He noted that Dr. Paine, a 1922 graduate of the medical school, had had a long and distinguished career at the university and was a leader in the field of gynecology. "His friends and former students have established a memorial fund in his honor," the provost said, "and in the future it will be used to support this important professorship."

He went on to observe that the University was seeking Trustee approval for two tenured appointments - Dr. Saul Sternberg, as professor of psychology, and Dr. Charles E. Benson, as an associate professor of microbiology in the School of Veterinary Medicine. Dr. Sternberg, a member of the National Academy of Sciences, has achieved international recognition for his work in cognitive psychology at Bell Labs, according to Mr. Ehrlich. He also pointed out that Dr. Benson, the director of clinical microbiology at New Bolton Center who has generated major collaborative research on infectious diseases, was an outstanding scholar in his field.

1. Action. A Resolution on Clinician-Educator Appointments and Promotions in the Health Schools was approved as follows:

Intention:

During recent years, the Trustees of the University of Pennsylvania have acted to establish the Clinician-Educator faculty category in each of the four health schools. Since it is not expected that this faculty category will be extended to other schools and since the Trustees on several occasions have approved conditions of appointment that vary somewhat from school to school, it now seems reasonable to develop a single document summarizing this material.

A faculty task force has been at work for the past year and has now produced such a document. It has been read and commented on by representatives of the Faculty Senate and by the deans of the four health schools. It will be used in the minutes of the Provost's Staff Conference as the single reference governing Clinician-Educator appointments. It will also be distributed to all newly appointed Clinician-Educators.

RESOLVED, that, as of this date, the document entitled "Guidelines for Appointments and Promotions of Clinician-Educators in the Health Schools of the University of Pennsylvania, January 8, 1985" (See Appendix A), be approved as the single document governing appointments in the Clinician-Educator faculty of the Schools of Medicine, Dental Medicine, Nursing, and Veterinary Medicine, which replaces all previous Trustee actions relevant to this faculty category with the exception of individual appointments.

2. Action. A Resolution on the Establishment of the Category of Practice Professors in the Law School was approved as follows:

Intention:

The School of Law wishes to set up a new category within the Associated Faculty. Persons in this category will carry out various
duties within the School's clinical program. Establishment of this category is consistent with recent developments at other leading schools of law.

RESOLVED, that

(a) There shall be established a category of full-time Practice Professors, who are members of the Associated Faculty of the University, to take effect on July 1, 1984. All appointments in this category are without tenure or tenure-probationary status.

(b) These persons shall be responsible for instruction in clinical skills and supervision of students engaged in representing clients. They shall have such teaching and administrative duties within the Law School's clinical program as are determined according to normal Law School policies and procedures.

(c)(1) An appointment in this category shall be made by the faculty on recommendation of the Law School's Appointments Committee, using a standard of promise of superior performance in clinical education (See (c)(4) below). It must be reviewed and approved in normal course by the Dean. (2) The initial term of appointment as Practice Professor shall be for not more than five years. (3) Successive reappointments for terms of five years are permitted until retirement. (4) Reappointments shall be made so long as a standard of superior performance in clinical education is met. This standard could be met by a combination of some of the following: supervisory and organizational work of high quality in a clinical program; the preparation of teaching materials for clinical education; the creation of innovations in clinical teaching methodology; effective representation in trial and appellate proceedings (including the writing of briefs); and published scholarship in the fields of legal education and lawyering skills.

(d) Employment for persons appointed in this category may be terminated only because of (1) failure to satisfy the standard for reappointment at the conclusion of the initial or of any succeeding term; (2) attainment of any mandatory retirement age; (3) discontinuation of client service programs by the Law School; or (4) for "just cause" as customarily determined within the University. One year's notice shall be required for termination under subsections (d)(1) and (d)(3).

(e) An appointee in this category will hold the title Practice Professor at the Law School. The modified title must be written in full whenever used in documents, in listings of University personnel and in correspondence.

(f) A Practice Professor will have a written contract with the Law School that contains a clear statement of, or specifically incorporates by reference documents (e.g., this policy) defining:

- the conditions of employment;
- the circumstances under which the contract can be terminated (see "d" above);
- the responsibility of the Law School or other budgetary unit for payment of salary and all specified benefits; and the rights of persons to due process by mechanisms available to all University faculty in the event of grievances of alleged failure to protect the individual rights accorded a faculty member.

(g) Faculty members in this category will be entitled to full University faculty benefits. Leaves will be granted in accordance with the University policy applicable to the Standing Faculty.

(h) Faculty members in this category will be subject to University policies, including the policy on conflict of interest.

(i) Faculty members in this category will share all rights and privileges of other Law School faculty except that such persons shall not, without faculty approval, teach outside of the clinical program.
and shall not vote on appointments. Should grievances arise which are not resolved administratively, appointees may seek adjudication through the established University mechanisms.

(j) The number of faculty members in this category shall not exceed two.

(k) This policy will apply to any person appointed in this category beginning with the 1984-85 academic year.

(l) The Law School is committed to a full review of this category of appointment within five years after implementation, without prejudice to the rights of any person previously appointed in the category.

FURTHER RESOLVED, that the standing resolution of the Trustees of September 9, 1983 shall be amended with respect to Practice Professors to read as follows:

This category is confined to a small number of untenured full professorships in the Law School and the Wharton School. Practice professorships in the Law School are limited to two at any given time with each appointment for a term of five years, renewable in accordance with the resolution of January 18, 1985. Practice professorships in the Wharton School are limited to two at any given time with each appointment for a term of five years, renewable for not more than a single additional five-year term.

3. Action. A Resolution on Appointments and Promotions was approved as found on pages 1 through 8 of the meeting book.

B. Financial Report

Mrs. O'Bannon observed that the University is currently developing a capital planning process and capital budgeting process and will ask the Trustees in June for formal approval of a capital budget. She noted that her staff was inventorying projects, ranking them, and developing a better sense of control over construction bidding, budgeting, and management. "In the long run," she said, "the University will benefit enormously from these activities."

Turning to financial results at the end of the first six months of the fiscal year, she noted that the administration is projecting a surplus of $724,000 in unrestricted funds for the general University. Of that total, she pointed out, $346,000 is mandated to amortize the High Rise deficits and the Graduate Hospital debts. Sources of anticipated surplus are savings in salary and operating interest expense and gains in summer and special program tuition, gift and sales revenues, and Temporary Investment Fund income. Mrs. O'Bannon said the University was experiencing shortfalls in graduate tuition, fees for special programs, and graduate student housing rental income. She also noted that there have been "some overruns, which are currently being brought under control, in operating expenses and student aid expenses."

The senior vice president reported that restricted performance through the first six months has been very calm. "We have accumulated a surplus of $37 million, roughly $5.5 million ahead of last year," she said. "In grants and contracts, we are 25 percent ahead of last year with a $2 million balance." Turning to the Hospital, Mrs. O'Bannon noted that at the end of five months, HUP had a $7.3 million surplus, due in part to the settlement of the 1982 Medicare Cost Report, which resulted in a
She concluded her report by pointing out that the three-month statements of the Clinical Practices Groups show a $2.1-million surplus as of 30 September.

IV. Reports of Trustee Committees
A. Audit
Mr. Dickey reported that the Audit Committee has found Cooper & Lybrand well qualified to perform its auditing function.

1. Action. A Resolution on the Appointment of Auditors for FY'85 was approved as follows:

RESOLVED, that Coopers & Lybrand be and hereby are appointed as accountant to audit the books of the University of Pennsylvania for Fiscal Year 1985.

B. Budget and Finance
Mr. Eckman presented four resolutions, which he noted had the endorsement of the Budget and Finance Committee.

1. Action. A Resolution on the Rehabilitation of the Franklin Field Stands was approved as follows:

Intention:

In January of 1983, the administration proposed to the Trustees the rehabilitation of Franklin Field Stands at a cost then estimated at between $5,250,000 and $6,000,000. The expenditure of funds for construction drawings was authorized, and $415,000 has been certified for this purpose. At the request of the administration in January of 1984, the Trustees authorized further expenditures for soil stabilization under the east stands and for Phase I of the rehabilitation project, which included cutting expansion joints, shoring existing columns and girders, constructing the South Press Box, and reconstructing rain conductors. To date, $2,246,528 has been certified for these actual improvements.

The administration now proposes proceeding with Phase II of the rehabilitation, estimated to cost $3,524,000. More work (concrete, structural steel, and brick masonry repairs) to correct damages caused by lack of expansion joints will be done.

RESOLVED, that Phase II of the rehabilitation of Franklin Field Stands, estimated to cost $3,524,000, be and the same hereby is approved in accordance with the proposals presented to the meeting and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such rehabilitation 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 rehabilitation project 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 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 the issuance of tax-exempt notes, the retirement of the debt principal and associated interest expense shall be the responsibility of the Department of Intercollegiate Athletics, to be discharged within the established amortization period for the financing.

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2. Action. A Resolution on Amendment to the 2 March 1984 Resolution on Renovation of Certain LRSM Facilities for its Materials Research Programs was approved as follows:

Intention:

On 2 March 1984, the Executive Committee of the Trustees approved a resolution authorizing the expenditure of $801,350 to renovate space in the Laboratory for Research on the Structure of Matter that previously housed an unused magnet laboratory, its equipment, and a motor generator. Subsequently, the administration has determined that it is necessary to expand the scope of work to include additional air-handling. As a result, the cost of renovation is now estimated to cost $896,631. The administration proposes advancing funds from general University operating monies. Amortization agreements have been negotiated with School of Arts and Sciences and the School of Engineering and Applied Science, and central University funds have been identified to repay the advance over five years.

RESOLVED, that the rehabilitation of facilities that previously housed the magnet laboratory at the Laboratory for Research on the Structure of Matter, estimated to cost $896,631, be and the same hereby is approved in accordance with the proposals presented to the meeting 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 of the estimated cost of such renovation 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 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 the issuance of tax-exempt notes, the retirement of the debt principal and associated interest expense shall be the responsibility of the School of Arts and Sciences, the School of Engineering and Applied Science, and the designated central University resources, to be discharged within the established amortization period for the financing.

3. Action. A Resolution on the Renovation of the Quadrangle was approved as follows:

Intention:

The Quadrangle Dormitories consist of 39 houses. The first buildings were built in 1896 and the complex was completed over the next several decades. The present renovation program began in 1977.

In Phases I through III, the University, with the approval of the Trustees, renovated 14 houses: (1) Ware College House (incorporating Memorial Tower, N.Y. Alumni, Carruth, Lippincott, Smith Hopkinson, Fitler, and Baird) at a cost of $3.9 million (1977 $) funded by gifts and a $1.1 million PHFA Loan; and (2) Kresge House (incorporating McKeen, Baldwin '87, Craig, Poehler, and Franklin) at a cost of $2 million (1979 $) funded by the Kresge Foundation ($.25), private gifts ($1.3 million), and the University Capital Budget ($.45).

The administration then proposed rehabilitating the remainder of the Quadrangle over the summers of 1985, 1986, and 1987. The rehabilitation includes: energy-saving measures; a new electrical distribution system, including emergency lighting; new plumbing and replacement or repair of showers and other fixtures; pointing of brick and masonry; and plastering and painting of rooms and corridors. It would be divided into two parts. The first part would

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include renovation of McClelland Lounge and ten houses (Smith, Cox, Rodney, Bishop White, Birthday, Mask & Wig, Provost Tower, Graduate, Clelland, and Thomas Penn). The second part would include landscaping, exterior restoration of the entire Quadrangle, and renovation of ten houses (McIlhenny, Warwick, Ward, Chestnut, Ashurst, Magee, Butcher, Class of 1928, and Morris).

In January of 1984, the Trustees authorized the preparation of schematic designs and drawings. The administration now proposes moving forward with the rehabilitation of McClelland Lounge and the first ten houses referred to above.

This phase of the Quadrangle renovation project is estimated to cost $13,821,000.

RESOLVED, that the rehabilitation of McClelland Lounge and ten houses (Smith, Cox, Rodney, Bishop White, Birthday, Mask & Wig, Provost Tower, Graduate, Clelland, and Thomas Penn) in the Quadrangle, estimated to cost $13,821,000, be and the same hereby is approved in accordance with the proposals presented to the meeting 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 renovation 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 project 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 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 the issuance of tax-exempt notes, the retirement of the debt principal and associated interest expense shall be the responsibility of the Office of Residential Life, to be discharged within the established amortization period for the financing.

4. Action. A Resolution for Tax-Exempt Financing for Various University Capital Projects was approved as follows:

Intention:

For two years the Administration has contemplated making application to the Pennsylvania Higher Education Facilities Authority (PHEFA) or other tax-exempt financing authorities to issue and sell tax-exempt bonds. The proceeds of such issues would be used to finance capital improvement projects that have been reviewed by the administration, deemed to be necessary and appropriate to carry out the University's mission, and approved by the Board of Trustees.

In order to take optimum advantage of favorable economic conditions, the Administration requests authorization from the Trustees to make application to PHEFA, or such other tax-exempt financing Authorities as the administration may select, to issue and sell, for the benefit of the University, tax-exempt bonds (the "1985 Bonds") in an aggregate principal amount of not more than $225,000,000, to be issued in one or more issues or series, the proceeds of which it is intended will be used, in approximately the amounts and for one or more of the purposes set forth below:

A. The purchase, construction, renovation, and equipping of miscellaneous additional properties and facilities for the University ("New General Facilities") including:

<table>
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<tr>
<th>TITLE OF PROJECT</th>
<th>PRELIMINARY ESTIMATE</th>
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<tr>
<td>Structural Renovation, Quad, SVM</td>
<td>$1.2 million</td>
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Laboratory Addition, SVM 3.0 million
Completion of Renovation of Quad: 2.0 million
North, SVM .8 million
OSAW Renovation Upgrade Utilities .4 million
Wharton Executive Center 20.0 million
McHarg Walk Rehabilitation .3 million
Cyclotron 2.7 million
5 MEB 5th Fl/Diabetes 7.3 million
Med Lab: Pharmacy/Psychiatry 2.2 million
5 Med Lab: Bio/Bio 2.0 million
MEB Incinerator .6 million
Lecture Room A&B .8 million
Blockley Hall Alterations, SCM .5 million
Medical School: Upgrading Electrical Power .2 million
Hayden Hall Exterior 1.0 million
Hayden Hall Interior and Utilities 1.5 million
Microfabrication Lab Renovation .5 million
Natural Language Lab .3 million
Tawne School Rehabilitation 1.0 million
Graduate Wing Rehabilitation 1.0 million
Pender Lab Rehabilitation & Electrical Utilities 1.1 million
Franklin Field Structural Rehabilitation (Phase I, II, III) 11.0 million
Hutchinson Gym Renovation, including Pool 2.5 million
Chemistry Renovation 7.0 million
Life Safety - Museum 1.9 million
College Hall Ground Floor .3 million
Garage at 38th/Walnut 6.0 million
Garage at 34th/Chestnut 6.0 million
Campus Wide Computer Program 25.0 million
Rosenthal Building Cross Contamination .1 million
Deferred Maintenance 20.0 million
Quad V & VI 13.0 million
Quad VII & VIII 11.0 million
1925 College House .25 million
Stoutier Structural .3 million
Fraternities Rehabilitation 1.5 million
Residential: Deferred Maintenance 17.0 million
Residential: Furnishings Replacement 10.0 million
Residential: Miscellaneous Projects .59 million
Mudd Plant Science 4.50 million
34th and Walnut 15.0 million

B. The defeasance and refinancing of $24,285,000 principal amount of outstanding bonds issued by PHEFA in 1985 (the "1985 Bonds") - $25,000,000

C. The purchase, construction, renovation, and equipping of health care facilities ("New Health Care Facilities") consisting of:

(1) clinical science research facility  - $ 25,000,000
(2) ambulatory care facility  - 50,000,000
(3) additional equipment projects  - 25,000,000
Total: 100,000,000

D. The defeasance and refinancing of approximately $10,700,000 in a mortgage currently held by Prudential Insurance Company.

In view of the possible need on short notice of approval at the Trustee level of the substantive terms of the 1985 Bonds and of the documents relating to their issuance and sale, the Administration suggests the appointment of a special Ad Hoc Committee with power to act for the Trustees on these matters.

RESOLVED, that the Vice President for Finance be, and hereby is, authorized to make application on behalf of the University to PHEFA,

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or other financing Authorities, for the issuance of the 1985 Bonds and to pay such fees and expenses as may be required in connection with such application;

FURTHER RESOLVED, that the appropriate officers of the University be, and they hereby are, authorized to negotiate and agree with such Authority and with investment bankers, which they may choose or agree upon in connection with the underwriting and sale of such Bonds, (i) concerning the terms and provisions of such Bonds and their underwriting and sale and (ii) concerning the form and substance of such indenture, mortgages, leases, payment agreements, security agreements, underwriting agreements, official statements, and other documents or instruments as may be necessary or advisable to effectuate the issuance and sale of the 1985 Bonds as above described; subject, however, to the further approval, confirmation, or other action of the Trustees, its Executive Committee, or Ad Hoc Committee appointed in the following resolution.

FURTHER RESOLVED, that, pursuant to the Section 4.01 of the Statutes of the University, there is hereby created a 1985 Bond Ad Hoc Committee of the Trustees to consist of and be composed of Paul F. Miller, Jr., John W. Eckman, Samuel H. Ballam, Jr., and John B. Neff and there 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 matters referred to in the foregoing resolution.

C. Development

Mr. Jones reported that subscriptions and gifts for the year to date total $37.2 million, which is up 14 percent over the same period last year. "A major impetus to this growth," he said, "has been the response of the trustees to the need to develop a nucleus fund for Building Penn's Future." He pointed, in particular, to the gift of $2 million from Lee and Walter Annenberg for the President's Discretionary Fund, with an emphasis on expenditures in the area of student life, a gift of $1.5 million from Ralph Landau for the School of Engineering and Applied Science, and a gift of $2.75 million from Hillie and David Mahoney to establish a professorship in neurological sciences and to seed the David Mahoney Institute of Neurological Sciences. "Overall," Mr. Jones said, "giving from both alumni and friends is 74 percent ahead of last year. Gifts from friends are down 34 percent," he continued, noting that the decline was largely a matter of timing, as last year's figures reflected two very large bequests from friends. On the institutional side, he noted that the combined support from corporations and foundations was about even, but that corporate support was up about 40 percent due to a large IBM gift. "By the end of the year," Mr. Jones predicted, "we'll be looking at foundation support that will be very close to last year's $16 million total. He said that Annual Giving totals were incomplete for the year to date because of the tremendous number of year-end receipts, but that there was a 27-percent increase in the size of the average gift. "The number of donors appears to be down," he said, "but when we get our bookkeeping up to date, I think we'll come out about even with FY'84. By the end of the year, we'll meet our objectives in this area," he concluded, "and I'm also confident we'll attain our overall development goal of $75 million."
D. External Affairs

Mrs. Wexler reported that the major presentation and discussion item of the External Affairs Committee was a report by David Morse, director of Federal Relations, on the federal tax reform proposal and related University actions. "Mr. Morse highlighted what all of us know to be the two very important aspects of tax law that seem to be moving ahead with some degree of force if not with clarity," she said. "One deals with the 'flat tax rates'; the other deals with charitable deductions as they have an impact on the University. The purpose of the Treasury bill, as well as the two bills proposed by the Republican and the Democratic members of Congress, are to bring down the upper level of tax rate and to increase the base," Mrs. Wexler continued. She observed that increasing the base would jeopardize many aspects of the University's benefits program, the sale of tax-free bonds, the tax benefit corporations receive for leasing out research to the University, consumer loan interest, which has some impact on student loans and the Penn Plan, and scholarships and fellowships, which are under threat of being counted as income. On the charitable deductions side, she noted that the marginal rate has already come down from 70 percent to 50 percent and the new Treasury proposal suggests a marginal rate of 35 percent. "The Development Office reports that across the country, there was a significant drop in the total number of gifts at the $200,000 and above level when the marginal tax rate went to 50 percent," Mrs. Wexler said, "and there is an assumption that total giving goes down 13 percent for every 10-percent drop in the marginal rate. We asked ourselves: what does a University do? Does it take any lobbying role that addresses the phenomenon directly? I think, on the whole, our committee felt that it was too early to say that we would take any affirmative position. Many members," she continued, "thought that the University should not lobby against lowering marginal rates, although we did ask that the Development Office provide us with some accurate models of what lowering the marginal rates had done to Penn." She added that the External Affairs Committee also had begun a discussion of the "very tricky challenge" posed to development communications in particular and to university communications in general by the fact that for years Penn has said: "Giving us a dollar is only going to cost you 30 or, later, 50 cents," and in this way probably reinforced the very thing that is now going to be the roadblock. "In some very creative, tasteful, bite-size learning manner," Mrs. Wexler said, "our communications effort has got to emphasize that investment is the name of the game, and anything that you get in a tax cut is an added value. None of us think it's easy. None of us think it can be done with a broad stroke, or much less a hammer, but it is something that has to be faced by this University and every other."

The External Affairs chairman went on to say that the committee also had heard and update on Penn's communication effort (copy enclosed.) The News Bureau has tracked the appearance of Penn in the media, national, regional, and local, print and electronic, she pointed out. The committee saw two "very interesting" pieces, one done for use during the Ivy League
football season and the other from "Good Morning America," she added, and it has asked that those two pieces be part of the plenary session, which the committee on communications planned for the June Meeting.

Mr. Jones commented that the tax situation had come up for discussion at the Development Committee meeting and members concluded that it would be preferable not to lobby, as a University, at this stage, but rather for trustees, as individuals, to make their feelings known - not just to the administration but, most importantly, to members of Congress. "Later on we can look at the position of the University with respect to lobbying," he added.

E. Nominating Committee

Mr. Dorrance reported that a poll of members had demonstrated full support for the resolution he was recommending to the Trustees.

1. Action. A Resolution on the Reelection of John B. Neff as a Term Trustee was approved as follows:

RESOLVED, that John B. Neff be reelected as a term trustee for five years, effective 18 January 1985.

F. HUP Board

Mr. Ballam reported that the Hospital is proceeding to acquire a new $2.5-million device called a lithotripter that is made in Germany and used to destroy kidney stones without any invasive procedure. There are presently four lithotripters in the United States, and HUP hopes to have its machine sometime in May. The Hospital also has applied for a certificate of need to institute a pancreas transplant program. "We have a very strong physician in this field," Mr. Ballam commented. Turning to financial matters, he said the impact of the Diagnostic Related Groups Payment policy under Medicare does not appear to have affected the Hospital adversely. "We will probably approach a $10-million surplus this year, he said, "but this is in an exceedingly difficult environment. HUP is the only major hospital in the area that is running at 80 percent of capacity," he continued, "and it's a real tribute to our medical staff that they can continue to attract admissions and keep our occupancy up while other hospitals are forced to close beds."

Mr. Ballam further noted that Phase IV of the HUP renovation program is progressing, and called attention to HUP's new annual report, which was distributed at the meeting.

G. Investment Board

Mr. Neff reported that the common stock portion of the Associated Investments Fund (AIF) had done 10-percentage points better than the Standard and Poor's 500 Stock Average during the latest six-month period. For the calendar year, he pointed out, the difference was 11.7 percentage points in favor of the AIF, and over the past five years, the Fund's relative edge was about 9.5-percentage points. "That's clearly unsustainable," Mr. Neff said. It represents an unusually fortuitous combination of circumstances, and we'd be overjoyed to do 4- or 5-
percentage points better annually over the next five years." He went on to note that on the bond side, the average maturity, which previously had been reduced to almost four years, has been increased in recent months to almost seven years. "It is an attempt," he explained, "to lock up some rather formidable yields for as far in the future as we're willing to stick our neck out." Mr. Neff then observed that the total market value of the AIF was $320 million. He pointed out that the cash and cash equivalents in the portfolio had declined from 14 percent of the total to 1 percent of the total between June and January. "We haven't really been very active on the equity side in the last six months," he added, "and that hasn't served us badly. There's a time occasionally to sit on your hands. It's a little disquieting that we have been bereft of recent enthusiasms, but we will continue to weigh price and prospective opportunities and keep the portfolio as dynamic as possible."

Mr. Miller commented that the budget benefited enormously from the AIF's spectacular performance. "If you looked at the 1979 level of assets, some $133.9 million, and assumed that it prevailed for three years," he said, "you would have just under $8 million entering into the budget at our spending rate. With assets of $320 million, we now have a spending level of close to $20 million." He went on to note that the Ford Foundation was making comparisons of the endowments of some 18 major institutions, including major foundations, and while all the numbers are confidential, he could tell the Trustees that "ranking first in that study for five years is the University of Pennsylvania, and ranking first for three years is the University of Pennsylvania, and ranking first for one year is the University of Pennsylvania, and it is by a fairly significant margin."

V. Overseers and Other Boards

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

RESOLVED, that Donald G. Lubin be appointed to the Board of Overseers of the School of Arts and Sciences for three years, effective 18 January 1985.

B. Action. A Resolution on an Appointment to the Board of Overseers of the School of Nursing was approved as follows:

RESOLVED, that John H. Kennedy be appointed to the Board of Overseers of the School of Nursing for three years, effective 18 January 1985.

C. Action. A Resolution on an Appointment to the Board of Overseers of the Wharton School was approved as follows:

RESOLVED, that Jon M. Huntsman be appointed to the Board of Overseers of the Wharton School for a three-year term, effective 18 January 1985.
E. Action. A Resolution on Appointments to the Board of Overseers of the University Press was approved as follows:

RESOLVED, that current member Martin Meyerson be appointed chairman and that John W. Fawcett, III, William T. Golden, Herman H. Goldstine, A. Leon Higginbotham, Jr., John C. Hunt, Jeremiah Kaplan, Charles Mather, III, Mary Ann Meyers, Gerard Piel, and Isadore M. Scott be appointed members of the Board of Trustees of the University Press for the term stipulated below, effective 18 January 1985.

Three-year term:

Judge Higginbotham is a member of the U.S. Court of Appeals for the Third Circuit. A trustee of the University, he is the author of In the Matter of Color: Race and the American Legal Process (1978), which was nominated for an American Book Award.

Mr. Hunt is chairman and chief executive officer of BioTechnica International, Inc., a high technology company in Cambridge, Massachusetts. He was formerly executive vice president of the Salk Institute, secretary and vice president of the University of Pennsylvania, and deputy director of the Institute of Advanced Study in Princeton. Mr. Hunt is the author of Generations of Men (1956), nominated for a National Book Award, and The Grey Horse Legacy (1968), a Literary Guild alternate.

Mr. Kaplan is chairman of Macmillan Publishing Company, Inc. A former lecturer in the behavioral sciences at the University of Chicago's Graduate School of Business, he currently serves as a director of Franklin Book Programs, Inc., a trustee of the University of Rochester, and a member of the national advisory council of Hampshire College.

Mr. Piel is president of Scientific American, Inc. and publisher of its magazine. He serves as a trustee of the American Museum of National History, Phillips Academy, the New York Botanical Garden, the Henry J. Kaiser Family Foundation, and the Mayo Foundation. Recipient of the George Polk award in 1961, the Kalinga prize in 1962, and the Arches of Science award in 1969, Mr. Piel was named Publisher of the Year by the Magazine Publishers Association in 1980. He is currently president of the American Association for the Advancement of Science and a member of the Council on Foreign Relations. Mr. Piel is the author of Science in the Cause of Man (1961) and The Acceleration of History (1972).

Two-year term:

A corporate director and trustee, Mr. Golden (C-30, H-79) serves on the boards of Block Drug Company and General American Investors Company, Inc. He is also treasurer and a director of the American Association for the Advancement of Science, secretary and a trustee of the Carnegie Institution of Washington, and vice president and a trustee of the American Museum of Natural History. A member of the American Philosophical Society and the American Academy of Arts and Sciences, Mr. Golden has served on the Board of Overseers of the School of Arts and Sciences since 1976.

Mr. Goldstine is executive officer of the American Philosophical Society. He received his B.A., M.A., and Ph.D. degrees from the University of Chicago, holds an honorary Ph.D. from the University of Lund in Sweden, and received Sc.D. degrees from Amherst College and Adelphi University. A former IBM Fellow, Mr. Goldstine was also a member of the group at Pennsylvania that developed ENIAC. He has served as a member of the Institute for Advanced Study in Princeton since 1946 and holds memberships in the National Academy of Sciences and the American Academy of Arts and Sciences.

Mr. Mather (L-59) is president of Mather & Co., an insurance firm in Philadelphia, and president of Finance Company of Pennsylvania. He served as president of the Pennsylvania Academy of the Fine Arts from 1972-83 and as chairman from 1983-84. Currently the honorary consul of Great Britain for Philadelphia, he is also a director of St.
Christopher's Hospital and the Fairmount Park Association, a trustee of the Pennsylvania Academy of the Fine Arts, and a former director of the Historical Society of Pennsylvania.

Mr. Scott is vice chairman and a director of TOSCO Corporation, an energy company in Los Angeles. He was chairman of Tri-Institutional Facilities in Philadelphia from 1962-78. A director and chairman of University City Associates, Inc., he also serves as a member of the advisory committee of the Greater Philadelphia Partnership, chairman of the Philadelphia Museum of Art, vice chairman of the University City Science Center, and a director and member of the finance committee of the World Affairs Council in Philadelphia. Chairman of the Philadelphia Orchestra Council, Mr. Scott is already an associate trustee of the University as a member of the Board of Managers of The Wistar Institute.

One-year term:

Mr. Fawcett is a partner in the Philadelphia law firm of Montgomery, McCracken, Walker & Rhoads. A 1942 graduate of Yale University, he earned a LL.B. at Temple University School of Law in 1950. Mr. Fawcett currently serves as consul of France for Philadelphia.

Dr. Meyers (Gr-76) is secretary of the University. She is the author of *A New World Jerusalem: The Swedenborgian Experience in Community Construction* (1983).

F. Action. A Resolution on Appointments to the Board of Managers of the Wistar Institute was approved as follows:

RESOLVED, that the following individuals be appointed for one-year terms to the Board of Managers of The Wistar Institute, effective 18 January 1985:

Dr. J. Thomas August; Mr. George B. Barnard; Dr. Thomas Peter Bennett; Mr. Frank G. Binswanger, Sr.; Mr. Herbert W. Blades; Mrs. T. Wistar Brown; Mr. John T. Dorrance, Jr.; Joseph N. DuBarry, IV, Esq.; Dr. Harry Eagle; Mr. Robert A. Fox; Mr. J. Rees Hollihan (ex officio); Mr. Harris N. Hollin; Dr. Michael Katz; Dr. George B. Koelle; Dr. Thomas W. Langfitt; Mr. W. Thacher Longstreth; Ms. Faye Olivieri; Dr. Ruth Patrick; Mr. Richard G. Ravenscroft; Dr. Donald Vail Rhoads; Mr. Gerald B. Rorer; Mr. Isadore M. Scott; Mr. E. Robert Thomas, Jr.; Mr. Owen Jones Toland, Jr.; and Mr. Howard S. Turner.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University