Trustees of the University of Pennsylvania
Minutes of the Stated Meeting
20 June 1986

A Stated Meeting of the Trustees was held on Friday, 20 June 1986, in
the Arthur Ross Gallery of the Furness Building. Trustees attending
included: Arlin M. Adams; Leonore Annenberg; Walter G. Arader; David C.
Auten; Samuel H. Ballam, Jr.; Julian S. Berst; Gordon S. Bodek; Richard P.
Brown, Jr.; Alan C. Bowser; I.W. Burnham, III; Susan W. Catherwood; Gloria
Twine Chisum; D. Michael Crow; F. Eugene Dixon, Jr.; Robert A. Fox; Bruce
J. Graham; Sheldon Hackney; John P. Heilweil; A. Leon Higginbotham, Jr.;
Reginald H. Jones; Carl Kaysen; Robert P. Levy; Edward J. Lewis; David J.
Mahoney; Margaret R. Mainwaring; Paul F. Miller, Jr.; Paul S. Miller;
Anthony S. Minisi; John B. Neff; James A. Papas; John H. Porter; Ralph B.
Saul; Bernard G. Segal; Alvin V. Shuemaker; Wesley A. Slenger, Jr.; Saul
P. Steinberg; Michael L. Tarnopol; Robert L. Trescher; Frederick J.
Warren; Jacqueline G. Wexler; and Charles S. Wolf. Others present
included: John Anderson; Ann Bailey; James J. Bishop; Joseph Bordogna;
Valerie Swain Cade; Stuart Carroll; Richard C. Clelland; Nicholas D.
Constant; Charles Crockett; Ann Duffield; Thomas Frick; Polly Farnum;
Charles F. Fretz; Karen Gaines; Wayne Glasker; Eric Lang; Scott Lederman;
Marshall Ledger; Robert G. Lorndale; Bruce Martini; Mary Ann Meyerst; Helen
O'Bannon; William Owen; Vincent Phaal; Steven Poskanzer; Virgil
Renzulli; Philip Schoenfeld; John M. Scott; Sally Shoemaker; Roger
Soloway; Michael Sone; Edward J. Steemler; Lee Stetson; Barbara Stevens;
Glen Stine; Anthony Tomasinis; and Ross Webber.

Prior to the meeting the Trustees were provided with copies of the
annual conflict of interest disclosure statements filed by the Trustees,
which disclose those corporations, partnerships, associations, and other
organizations with which individual trustees have certain relationships
and financial interests. Since the issue of the University’s investments
in companies that do business in the Republic of South Africa was
scheduled for consideration at this meeting, prior to the meeting the
Trustees were also provided with lists compiled by the Investor
Responsibility Research Center of companies and banks conducting business
in South Africa.

I. Call to Order

Chairman Miller called the meeting to order and an invocation was
offered by the Reverend John M. Scott. The minutes of the 17 January 1986
meeting were approved as written by the secretary.

II. Chairman’s Report

SECRETARY
Mr. Miller said he had nothing to add to the remarks he had made to the trustees and other guests at dinner the previous evening.

A. Action. Mr. Steinberg then offered a resolution, which was approved as follows:

RESOLVED, that the thoughtful and inspiring after-dinner address of Chairman Paul F. Miller, Jr., be included in the Minutes of the Stated Meeting and that it be suggested to the Pennsylvania Gazette and The Daily Pennsylvanian that Mr. Miller's address be reprinted in its entirety.

"The Chairman's 19 June 1986 Observations" can be found in Appendix I.

B. Action. A Resolution of Appreciation to Ralph Landau was approved as follows:

A graduate in chemical engineering in 1937, Ralph Landau has been a valued colleague since 1977 when he began service as a term trustee. The quality of his service was acknowledged in 1982 with his election as a life trustee. He has ably served as a member of the Academic Policy Committee, the former Resources Committee, the University Responsibility Committee, and more recently the Development Committee and Long-Range Planning Committee. He is a member of the President's Council.

His advocacy and enthusiasm for engineering education at Pennsylvania were first attested to when he became a member of the Board of Overseers of the School of Engineering and Applied Science at the time of its establishment in 1975. He has chaired that body for the past six years. His ability to think broadly and to integrate approaches are demonstrated in his service as Adjunct Professor of Management, Technology, and Society, an appointment that spans three of the University's faculties. Recognition of his contributions to engineering at Penn was made by his inclusion in the Gallery of Distinguished Engineering Alumni.

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 Ralph Landau for his service and designate him trustee emeritus, effective 20 June 1986.

C. Action. A Resolution of Appreciation to John H. Porter was approved as follows:

A 1955 graduate of the Wharton School, John H. Porter has, as an alumni trustee, faithfully represented the alumni of the Middle Atlantic Region for the past five years. During this period, the External Affairs Committee, Student Life Committee, and Honorary Degrees Committee have benefitted from his counsel. He serves as a member of the Board of Overseers of the School of Nursing and as an informal advisor to the president of the University on matters of public presentation and perception of Penn.

A leader in alumni affairs, he helped to organize the secondary school and annual giving committees on Long Island and went on to work for the success of the Program for the Eighties as a member of the Washington, D.C. committee. He continues to employ his interviewing skills on behalf of his alma mater as a member of the secondary school committee for the nation's capital. Penn continues to treasure his loyalty, wisdom, and affection.

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 John H. Porter their appreciation for his service.

D. Action. A Resolution of Appreciation to John P. Hellwege was approved as follows:

A 1956 alumnus of the College and 1959 graduate of the School of Dental Medicine, John P. Hellwege has capably furthered the interests
and heeded the concerns of all Penn alumni during his three years of service as President of the General Alumni Society and alumni trustee. Enthusiasm and energy have characterized his membership on the Executive Committee of the Trustees and on their External Affairs and Student Life Committees.

Always an active member of the Dental Alumni Society, he served as President of the Executive Committee in 1972. He has been a member of the Board of Overseers of the School of Dental Medicine since it was originally formed in 1979 and, as an associate in the dental faculty, has initiated students in the skills of professional practice.

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 John P. Hellwege their appreciation for his service.

Mr. Miller welcomed Charles B. Fretz, Jr., who will be succeeding Dr. Hellwege as President of the General Alumni Society.

E. Action. A Resolution of Appreciation to Edward G. Jefferson was approved as follows:

During his service as a term trustee, Edward G. Jefferson has lent his counsel to the External Affairs Committee and University Responsibility Committee. A chemical engineer by training, he began his association with the University as a member of the Board of Overseers of the School of Engineering and Applied Science.

A native Briton, he has provided an international perspective to the deliberations of the Board of Governors of the Lauder Institute, and he has helped in the development of the recently established Center for the History of Chemistry as a member of its Advisory Board.

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 Edward G. Jefferson their appreciation for his service.

F. In the absence of G. Morris Dorrance, Jr., Mr. Wolf offered resolutions for the Nominating Committee.

1. Action. A Resolution on the Election of John P. Mulroney as a Term Trustee was approved as follows:

RESOLVED, that John P. Mulroney be elected a term trustee for five years, effective 20 June 1986.

2. Action. A Resolution of Appreciation to Paul F. Miller, Jr. was approved as follows:

Whereas, Paul F. Miller, Jr. is finishing eight years as chairman of the Trustees of the University of Pennsylvania;

And whereas his wisdom, patience, and courage flavored with his sensitivity and good humor have led the University to new levels of accomplishment and performance;

And whereas he inspired the best in others because he always gave his all;

And whereas he was the ultimate team player;

And whereas the Trustees, along with the entire University family desires to thank Paul most sincerely for his outstanding leadership;

NOW THEREFORE, BE IT RESOLVED, that we show our appreciation,
compliments, and warmest thanks that are extended to him this day at the Stated Meeting of the corporation toward Paul Miller.

3. Action. A Resolution on the Election of the Chairman of the Trustees of the University of Pennsylvania was approved as follows:

RESOLVED, that Alvin V. Shoemaker be elected chairman of the Trustees of the University of Pennsylvania for a one-year term, effective 20 June 1986.

4. Action. A Resolution on the Election of Vice Chairman of the Trustees of the University of Pennsylvania was approved as follows:

RESOLVED, that Margaret R. Mainwaring be elected vice chairman of the Trustees of the University of Pennsylvania for a one-year term, effective 1 July 1986.

At this point in the meeting, Mr. Miller presented the gavel to Mr. Shoemaker. Mr. Wolf then offered a final resolution.

5. Action. A Resolution of the Election of the Executive Committee of the Trustees of the University of Pennsylvania was approved as follows:

RESOLVED, that the following Trustees be elected members of the Executive Committee for one-year terms, effective 1 July 1986: Walter G. Arader, Samuel H. Ballam, Jr., Richard P. Brown, Jr., Susan W. Catherwood, Gloria T. Chisum, Charles D. Dickey, Jr., F. Eugene Dixon, Jr., G. Morris Dorrance, Jr., Robert A. Fox, Charles F. Fretz, Jr., Carl Kaysen, Margaret R. Mainwaring, Paul F. Miller, Jr., John B. Neff, and D. Robert Yarnall, Jr.

Mr. Shoemaker commented that there was no honor that could mean more to him personally than election as chairman of the Trustees. He observed that Mr. Miller had set a standard of performance for all the members of the board. He said that as he had visited Penn's various schools in a year-long effort to prepare himself for the chairmanship, he had been continually amazed at his alma mater's strength and vitality. "With God's help," he added, "I'll do my best for the University during the next five years."

III. President's Report

A. Dr. Hackney gave the following year-end assessment of the state of the University:

Symbols of Penn are showing up with increasing frequency in strange and wonderful spots these past few years; we have been able to see our favorite logo in such popular places as On Golden Pond, St. Elsewhere, and The Cosby Show. On a recent Sunday, The Philadelphia Inquirer Magazine's cover story was about Penn as a "hot school," and the New York Times' special section on education mentioned Penn prominently and favorably in a story on the "care and feeding" of college students. The following day in the Times, a front-page story on the cost of going to college discussed The Penn Plan as a creative response to the high price of a college
education these days.

More scientifically, a recent survey, which was conducted by an ambitious public university in the sun belt, places Penn in the top ten universities in the number of "positive mentions" appearing in a large set of nationally important publications. Our own count of the appearance of Penn stories across the country shows a dramatic increase over 1984-85: up 17% in the Inquirer; 66% in the New York Times; 77% in the Washington Post; 79% in the Los Angeles Times; 140% in Time; 89% in Newsweek; 175% in Business Week, etc. The Insiders Guide to Colleges, an iconoclastic assessment of colleges begun a few years ago by a group of Yale students, became the first of the college guides to discover what our students and high school seniors have known for several years—Penn is a university whose time has come.

My only worry about this flood of good fortune is that some people may think that it is all hype, that it is image without substance. Actually, I wish we were good enough at self-promotion to take credit for manufacturing the Penn trend. Even though we have an excellent admissions program and though we are doing a better and better job through publications and the news bureau to communicate our quality and character to the world beyond our walls, we still display a lot of Philadelphia's Quaker modesty.

Like the city, however, we are working to show our colors a bit more than in the past, but we will also keep our eyes firmly fixed on the substance of what we do—education and research. That is what has gotten us to where we are, and that is what will keep us moving forward.

The fundamentals of our enterprise look very healthy and encouraging. Our undergraduate students are not only happy; the overwhelming majority are enthusiastic about their lives at Penn. To a great extent, they share the sense of Penn as the best of all worlds: a beautiful campus that encourages the contemplative life in the middle of a big and lively city; a university that enjoys the intellectual benefits of being large and diverse yet has the warm and friendly feel of a small college. We are a place that works hard and plays hard, that is friendly but very active. In short: undergraduate life is good and getting better.

We are also beginning to experience an upsurge in the quality and quantity of applications to our Ph.D. programs, and our professional schools have never been stronger. The fact that only one other university in the country had as many faculty members win Guggenheim Fellowships this spring is only one of the indications that our faculty continues to be very strong. Another indirect measure is that the "sponsored research awards received" are running 12 percent ahead of last year after eleven months, despite the increasingly competitive environment for merit-reviewed research support. In addition, we have been able
to make a number of outstanding appointments of new faculty who will be joining us in September. . . . On the affirmative action front, I am pleased to note that we will have a net increase of five black faculty members, increasing our total to 38, which is not as many as we would like but is a big step forward. . . . Our financial results and our fund raising results are quite encouraging. Relevant to the latter, let me say that this is the last meeting at which Ross Webber will be with us as the vice president for development and university relations. He has done a marvelous job for Penn in building a superb development staff, and we are going to miss his leadership.

Less quantitatively, and more importantly, we have also had a good year educationally and in campus life in general. Selecting the most significant accomplishments of our community is very difficult because there were so many. . . . One notices a real revival of spirit and energy in the School of Arts and Sciences. Under the leadership of Dean Michael Aiken, that school has begun to plan for its future. It has under consideration a very interesting set of curricular changes that will be acted on by the faculty next fall, and I am extremely pleased with what I see there. . . . Beyond that, two student reports contributed very thoughtful discussions of current needs and future opportunities in the area of student life. One, known as the 1990 Report, really sets a very intelligent agenda for discussion and action over the next several years. The second, detailing the desire for a new student union building, speaks to our common wish to have spaces and facilities that bring the community together as well as fulfill basic needs. I'm sure we will be hearing more of both of these reports as their recommendations are pursued in the years ahead.

Two years ago, you may recall, a SCUE white paper recommended that Penn organize freshman residential life differently, so that each freshman lived in a relatively small community of students that had a strong identity, that had faculty and older students present to help them function better as communities, that would have access to common space for meetings and activities, and that would develop, largely through their own efforts, a common life in addition to the activities that are available throughout the campus. That idea was investigated this past year by a faculty-student seminar led by Nick Constan, and we have now committed ourselves to the development of just such a freshman house system. We will start modestly in 1986-87, with the upper quad and the Spruce Street section of the quad serving as the founding experiment because there we already have a head start. Faculty have been living in those areas and have begun to develop something of the kind of community we want. We will expand the system in a step-wise fashion in future years until every freshman
will have the option of living in such an area or living in one of
the college houses.

I am very pleased also that we have been able to realize two
of the goals of our long-range planning efforts during this past
year. We established a fund to help renovate and equip research
laboratories so that they might be in a more favorable position in
the competition for outside research support, and we set up a fund
in the budget that will invest up to $10 million over the next
five years in undergraduate education. Along with the Penn Plan,
these two investment funds are budgetary mechanisms to help to
fulfill our commitment to the three goals first identified in
"Choosing Penn's Future" four years ago: financial aid, research
support, and undergraduate education.

Another great achievement of the year 1986-87 was the
reorganization of our laboratory animal care program, for which
Vice Provost Cooperman deserves our special thanks. We are in the
final stages of our search for a University veterinarian who will
lead the new University-wide oversight committee. In this way, we
have turned a very painful experience into a real step forward for
Penn.

On the question that captured the moral conscience of the
campus this past year, the question of South Africa, and the
University's most appropriate role in relation to the system of
apartheid that we all condemn, we should take some pride in the
vigorous discussion of such an important issue and in the way the
Trustees went about their decision-making fully informed by the
open campus debate. On only two occasions did passions lead
individuals beyond the boundaries established by our Guidelines on
Open Expression. On the whole, it has been the University at its
best, addressing an important problem with moral concern,
intelligence, and tolerance for the views of others.

Very recently, the Trustees received a letter and resolution
from Wayne Glasker and Eric Lang (representing various graduate
and undergraduate groups) that proposed an initiative for
providing educational opportunities for black South Africans.
These are in complete harmony with our mission and our practice.
I've asked Al Shoemaker to appoint a couple of trustees to work
with me in the next few months to identify some additional way
that we can provide structure and additional thrust to that effort
in the future.

I would be very remiss in this report, if I did not mention
among the accomplishments of the year the Ivy League championships
that we have won in football, field hockey, women's indoor track
and outdoor track, men's lacrosse, and women's fencing, which also
won the national championship. Last but not least is the
continuing saga of the varsity eight that was the best of the East
and placed third in the national regatta in Cincinnati last week.
Theirs has been a season of glory. They embark next week to take the Penn colors to Henley where, I am certain, they will make us all even more proud of them and of the University than we are already.

It has been a full, busy, and very good year.

Turning to a resolution on the extension of Dean Stemmler’s term and his election as executive vice president for the Medical Center, Dr. Hackney observed that the creation of this new position comes to the Trustees after a good deal of thought and study. "Uniting the Hospital, the Clinical Practice, and the Medical School under a single chief executive allows us," he said, "to provide for the timely decision making that is necessary in the rapidly changing field of health care and ensures that decisions are made with the needs of the entire medical enterprise in mind." Dr. Kaysen commented that the Executive Committee had discussed the resolution at length and felt that the University had in Dean Stemmler a person equal to the formidable management and educational challenge represented by the integration of operating responsibility for HUP and the Clinical Practices with academic responsibility for teaching and research.

B. Action. A Resolution on the Extension of the Term of Edward J. Stemmler as Dean of the School of Medicine and on His Election as Executive Vice President for the Medical Center was approved as follows:

Since assuming the deanship in 1975, Edward J. Stemmler has provided the School of Medicine with outstanding leadership. Under his guidance, the school has continued its pioneering role in biomedical research, has provided a model program for University-related clinical practice, has developed many fine educational programs for residents and medical students, and has found ways to rebuild and rejuvenate many facilities at the Medical Center.

The administration has determined that it is in the best interests of the University to have Dr. Stemmler take on the additional responsibility of heading the newly organized Medical Center, which brings together the Clinical Practices of the University of Pennsylvania (CPUP), the Hospital of the University of Pennsylvania (HUP) and the School of Medicine. Under the new administrative structure, Dr. Stemmler, as executive vice president, will report to the president of the University and will be the line officer responsible for the Medical Center. As a dean, he will continue to report through the provost. Dr. Stemmler remains Robert G. Dunlop Professor of Medicine, a chair he assumed in 1981.

RESOLVED, that Dr. Edward J. Stemmler be reappointed dean of the School of Medicine for a term beginning 30 June 1987 and ending 30 June 1989.

FURTHER RESOLVED, that Dr. Edward J. Stemmler be elected executive vice president for the Medical Center, effective 1 July 1986.

C. Academic Report

The provost noted that it had been just five years ago that he had the good fortune to be asked by the president to join the University. "Sheldon Hackney has set a very special mark on this institution as president," he continued. "The successes he listed didn't just happen. They are the result of leadership and it's primarily his
leadership." Mr. Ehrlich said he was increasingly proud of Penn's faculty and its strength. Noting that there are scores of success stories among the appointments and promotions, which he would present to the Trustees for approval, he went on to cite the Wharton School's success in hiring faculty away from his alma mater Harvard and his former university Stanford. "We are strong and getting stronger particularly in the areas where we can build on our special comparative advantage - the interaction of academic disciplines," the provost observed. "Furthermore, I don't think there is another university in the country that has stressed planning as fully as we have over the last five years and as we intend to do in the future.

Choosing Penn's Future set clear priorities, and while they were met with some initial campus skepticism of the "here we go again" variety, we have moved steadily and firmly to implement those priorities of undergraduate education, research excellence, and student financial assistance. We intend to go right on planning and right on implementing those plans," he added. Mr. Ehrlich said his position offered a great deal of personal satisfaction, and he thanked the Trustees, and in particular Mr. Miller, for their support. The provost then turned to Dean Stetson for a profile of the incoming class.

1. Mr. Stetson offered the following report:

The Class of 1990 was chosen from an applicant pool of 13,000, which is about a two percent increase over last year and also the highest in our history. We continue to see an increasingly high level of selectivity, although we are up against a great deal of competition for our students. It's almost entirely within the Ivy League, and all of our efforts will be necessary in the years ahead to continue to enroll a class that will take advantage of all the very special aspects of the Penn experience.

This year the entering class numbers 2200 students, 40 percent of whom will once again come from outside of the East. There is an increase of 10 percent in the students coming from west of the Mississippi, and we are particularly happy that many come from the targeted states of Texas and California. We saw a slight decrease in the number of students from Midwest but a basically stable position throughout the rest of the country. International matriculants this year will number 160, which is a 40 percent increase over last year. They constitute 7 percent of the freshman class. . . .As many of you have already heard, we have admitted 335 alumni children. They make up 15 percent of the entering class, which is the largest percentage in recent years. The admission rate for alumni children is 55 percent, which is a 5 percent increase over last year. That's very heartening, especially since there has been a lot of attention placed on alumni children and their choosing Penn.

Our overall admission rate is 36 percent, so we continue to
give a measure of preference to alumni children, and it's good to note that they are also responding in greater percentage of matriculation.

Minority students constitute 20 percent of the freshman class. There is an increase in the number of Oriental students, approximately the same number of Latinos, and a slight decrease in the number of Mexican Americans and blacks. The trend line in the black admissions has been upward over recent years, so we have taken a step back, and it is not encouraging. It is something that we need to look at very carefully. In a review of the situation throughout the Ivy League, however, we found that everybody was experiencing somewhat similar situations—some more significantly than we were, some a little less. But I think it's important for us to come to grips with the issue of cost-related issues for students from those backgrounds where financial concerns are so important, and we need to look at ways to improve our ability to reach out to those students. The competition is probably greater for blacks than for any of the subgroups that we work with in the University admissions program . . . .

Among our new matriculants, we will again have a great number of people who are leaders of their student governments, first chair musicians, community volunteers, winners of significant academic awards and, in fact, many are already beginning entrepreneurial careers by starting their own small businesses. A few that come to mind that seem to stand out as special include a young man from Kansas who, at the age of 12, was the fourth ranked salesman of Apple Computers in the United States; a young woman from New York who is associate editor of Children's Express News Magazine and owner of a fashion design business; a young man from Bangladesh who is the only chess grand master in western Asia and the only one to ever achieve that prior to going off in pursuit of higher education; and, finally, an individual who will come to us from Delaware who is the youngest chanter of Byzantine music in the United States. This class is exceptional in every way and, of course, most outstanding is its members' academic preparation. We look forward to greeting all of them in September.

The provost then introduced a resolution on the creation of a new department in the School of Engineering and Applied Science. Dr. Kaysen commented that Associate Dean David Pope, on behalf of Dean Joseph Bordogna, had given the rationale for the proposal to the Academic Policy Committee, which endorsed it unanimously.

2. Action. A Resolution on the Creation of a New Department of Systems and Termination of the Old Departments of Civil Engineering and Systems Engineering in the School of Engineering and Applied Science was approved as follows:

As the nature of society has grown more complex and its scale greater, systems analysis and synthesis have become more pervasive throughout the fields of engineering and applied science and, indeed, in many other disciplines. Penn was among the first five
universities in the nation to offer civil engineering studies, and it was the first to give a graduate program in systems engineering. The University, has, therefore, a solid base from which to respond to growing needs in both civil infrastructure systems and systems problems generally. The School of Engineering and Applied Science faculty believe it is now time to capitalize on the progress of recent years by coalescing engineering systems research and education across the School and by pursuing links to related endeavors across campus and to industry and government in a more focused way. Several cross-disciplinary graduate research areas are already in place to serve as a coordinated intellectual base on which to build a future: large-scale structural systems; civil infrastructure systems, with transportation systems as a special focus; environmental systems; manufacturing systems. In addition, the already top-rated undergraduate degree program in systems science and engineering can be enhanced in both quality and quantity by a more deliberate statement about Penn's interest and expertise in the systems area.

RESOLVED, that the Trustees authorize the creation of a new Department of Systems in the School of Engineering and Applied Science on 1 July 1986, and the termination of the present Departments of Civil Engineering and Systems Engineering as of 30 June 1986.

3. Action. A Resolution on Appointments, Leaves, and Promotions as shown on pages 1 through 32 of the meeting book was approved.

D. Financial Report

Mrs. O'Bannon observed that 1985-86 had been "a year of accomplishment on the administrative side of the house." She mentioned that Dining Services, which provides meals to 6,000 students a day, received the Ivy Award as one of the best food services in colleges and institutions across the nation. She noted that Penn's business services finished the year with small surpluses, and she commented that efforts to upgrade physical plant personnel was beginning to pay off.

The senior vice president observed that there are some very ambitious capital projects underway at Penn. She said that Vice President Anderson was providing the oversight necessary to ensure that the University will get the quality that it is paying for in this area. "In the finance area," she continued, "1985-86 has been a year in which Penn has moved its securities from one bank to another." She noted that the administration had "gotten its arms around the malpractice situation in the Hospital" and that it had worked with the Clinical Practices (CPUP) to establish a reserve for outstanding potential liabilities. "We have heard that we have the best professional liability application of any college or institution on the street this year," she said, "and that will stand us in great stead July 1 when we think we will be able to establish greater, more improved corridors of insurance for our professional liability risk and exposure."

The senior vice president observed that this year's capital budget, which is Penn's second, is really the result of an extended process wherein each school and each dean is asked to list projects and rank them as to priority, when they believe they
will come on line, and their sources or expected sources of funding. "The capital budget that we bring before you," she said, "is our best estimate of those projects we believe will move forward in 1987. It is I think an ambitious plan, maybe overly so, but it shows that we are trying to address the very real deferred maintenance needs of the University, the requisite renovation of space for upgraded programs, and the construction of new facilities that have been approved by the Trustees and are part of Penn on the move. If we can do $109 million worth of capital work in this coming year, we will be stretched not only financially but managerially. In the end, however, I believe that we will have proof that Penn can invest in itself and that those investments over time will pay off."

Mrs. O'Bannon went on to report that the administration projects that the University will end FY '86 with a modest surplus. At the end of May, according to the senior vice president, it was $333,000, after allowing for the $97,000 mandated surplus required to fund the debt amortization of Graduate Hospital. She said the administration would request permission from the Budget and Finance Committee to transfer $500,000 of the surplus to the new undergraduate development fund. Turning to restricted performance, she noted that the University was spending about 12 percent more from restricted funds than it did last year, indicating the availability of more funds and symbolizing the University's dynamic growth. She said that in terms of research fund balances, there is some $110 million booked and available for expenditure, which is 24 percent higher than at the same time last year and represents a backlog of approximately nine months of grants. The senior vice president reported that through the end of April, the Hospital was reporting revenues over expenses of $11 million, which was $3.8 million greater than budget. For the month of May, she said, HUP had revenues over expenses of $2.5 million, which was $1 million greater than budget. In the Clinical Practices of the University for the nine-months ending 31 March, the excess of revenues over expenses totaled $9 million. At that time, moreover, CPUP had increased their educational and development fund balances to $23.9 million net. "It's been another strong year financially," Mrs. O'Bannon said in concluding her report.

E. Presentation of the Operating Budget for FY '87

Dr. Stine reported that the University's operating budget for Fiscal Year 1987 will total $863 million. The University will spend approximately $240 million of which some $35 million will be unrestricted funds. The Hospital's budget is $231 million and the Clinical Practices have a budget of $22 million. The executive director of the budget commented that in his opinion Penn had moved to an investment strategy rather than simply a
budget-balancing strategy. He said that the Fiscal Year 1987 budget, which is balanced, seeks to enhance undergraduate education with the establishment of an undergraduate education development fund and to enhance the University’s research capacity through two new funds -- one to help faculty who are changing the direction of their research interests and the other to help upgrade research facilities. Dr. Stine further noted that the new budget is designed to permit Penn to maintain its competitive positions in terms of attracting and retaining the best faculty by providing for faculty salary increases at substantially above the rate of inflation and to attract and retain the best students through increased graduate fellowships. He added that the administration also sought to provide in the budget for expenses related to new facilities, such as the Mudd Plant Sciences Building, and for deferred maintenance. In the latter regard, Dr. Stine said the University had escalated its depreciation or space charge by 20 percent. He further reported that as mandated by the Trustees, the spending rate for the interest gained on the endowment would be 5.5 percent next year down from 6.7 percent in FY '80 when the University first adopted a spending rule.

Turning to the budget planning process, Dr. Stine observed that Federal government action had necessitated major revisions in the FY '87 budget and delayed planning for future budgets at the same time that it moved the administration to accelerate forecasting them. "In February, reacting to the pressures built up by Graham-Rudman," he explained, "the Office of Management and Budget announced a major alteration in the way the University was to recover indirect costs on research funds. It sought to reduce the amount of recoverable monies nationwide by $200 million, and for the University of Pennsylvania this was to mean a loss of somewhere between $9.5 and $10 million. But in June of this year," he continued, "the Federal government modified its original proposal. A reduction of $100 million is now being discussed, and it is to be implemented over a longer period of time. Even this reduction will affect the University in substantial ways," he said, "but we do not believe it will make the budget unbalanced for Fiscal Year 1987."

The executive director of the budget then mentioned several other outstanding issues. He noted that the most important was the fact that the state legislature had not yet approved appropriations for state-aided educational institutions. But also of concern is the fact that although Penn has received Federal funds for financial aid, the Federal budget for Fiscal Year 1987 will not be passed until October, and it has a major effect on the amount of research funding available to the University. "What this budget does," Dr. Stine concluded, "is try to put Penn in a highly competitive position to attract these resources whether or
not the Federal government chooses to cut them or reduce the rate of growth. We expect to continue to look for further strategies of enhancing the quality of the University and its financially competitive position, and I think the budget for Fiscal Year 1987 succeeds in preserving our momentum toward these goals."

IV. Overseers and Other Boards

A. University Museum

Mrs. Catherwood reported that the scaffolding has been removed from around the Museum, signaling the completion of its $3.1 million roof project. "Continuing planning for a life safety system goes on," she said, "and we expect work to be in process very soon. The chairman of the Museum Overseers added that the board joined her in reaffirming support for Dr. Robert Dyson's leadership as director of the Museum. "We are grateful for the continuing strong support from this administration," she concluded, "and from every single one of its parts."

B. Athletic Advisory Board

Mr. Minisi reported that overall the Department of Recreation and Intercollegiate Athletics had had a very successful year. He mentioned that some 3,000 students participated in 17 intramural sports. "In intercollegiate athletics," he continued, "the football team, field hockey team, lacrosse team, and women's track team were Ivy Champs. The women's fencing team won the NCAA National Championship, and we've just learned that Penn fencer Mary Jane O'Neil has been awarded an NCAA postgraduate scholarship and will be attending Harvard Medical School next year." He added that the heavyweight crew would be going on to Henley. Mr. Minisi then noted that the University had a successful recruiting year, and he said the Athletic Department was optimistic about the 1986-87 season. "Giving through the Weightman Society," he noted, "has increased approximately 25 percent this year. But there is also some bad news," he concluded. "Penn has a dire shortage of playing fields, and, of course, we need a field house."

C. Resolutions on Appointments

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

RESOLVED, that Natalie I. Knauther and Edward J. Mathias be appointed to the Board of Overseers of the School of Arts and Sciences for three-year terms, effective 20 June 1986.

2. Action. A Resolution on Appointments to the Law School Board of Overseers was approved as follows:

RESOLVED, that O. Francis Biondi, Raymond K. Denworth, Theodore J. Kosloff, and Lipman Redman be appointed to the Law School Board of Overseers for three-year terms, effective 20 June 1986.

3. Action. A Resolution on Appointments to the Board of Overseers of the Wharton School was approved as follows:
V. Trustee Committee Reports

A. General Alumni Society

Dr. Hellwege observed that with the completion of its fourth year in the E. Craig Sweeten Alumni Center, the General Alumni Society has become physically an integral part of the University community. "Its focus," he said, "allows students to feel a part of the alumni body." He further noted that the GAS Alumni Council on Admissions had worked with the Office of Admissions to help augment a very successful admissions cycle. "The percentage of alumni applicants in the overall pool increased," Dr. Hellwege pointed out, "and apparently is growing. Since 1978, the baseline year for admission comparisons, the increase is 26.6 percent." The GAS president observed that in 1986 alumni children will make up 15 percent of the incoming class, which is the target toward which the Society had been striving since the late 1970s. "Our greater yield has been increased because of the many innovative programs initiated by the Alumni Council on Admissions," he said, pointing to a mailing of the publication "The Academic Penn" to all admitted students, a student telethon campaign to encourage admitted students to matriculate, and the creation of a video package that can be sent to interested families. Dr. Hellwege thanked Alumni Trustees Shoemaker, Steinberg and Tarnopol for hosting a reception at the Waldorf Astoria Hotel for the admitted alumni children living in the metropolitan New York area.

Turning to regional programs, he said they continue to be extremely successful thanks to the administration, the faculty, and members of student performing arts groups who are willing to travel around the nation. He then noted that the General Alumni Society had elected Mr. Heyman as an alumna trustee-at-large to serve Region VII,
the southern region, and the GAS Board of Directors had nominated Melvyn J. Estrin to serve Region V, the Middle Atlantic States. He welcomed Recently Graduated Alumni Trustee Alan C. Bowser, and said the board was very pleased that Charles Fretz would be taking over the presidency of the General Alumni Society.

Dr. Hellwege went on to report that "innovative programs created by the individual schools and the General Alumni Society continue to stimulate interest and pride in the University." He also noted that The Pennsylvania Gazette had again this year received many awards in recognition of its excellence in writing and illustration, including a gold medal for placing within the top 10 alumni magazines. "Looking back over the past three years as president of the Society," Dr. Hellwege said, "it is apparent to me that the University of Pennsylvania possesses one of the most successful alumni programs in the country due to the cooperative spirit between the administration, the faculty, and the alumni relations staff. I particularly wish to recognize Michel Huber, associate vice president and director of Alumni Relations, and Stuart Carroll, executive vice president of the General Alumni Society, for their outstanding leadership," he said.

"It must be realized that the increase we have seen in alumni giving and enthusiasm is the result of an excellent alumni relations effort. I also wish to thank you, the Trustees," he concluded, "for allowing me the opportunity to serve with you. I look forward to many many more years of serving my university."

R. Trustee Board of HUP

1. Mr. Ballam reported that the occupancy rate in the Hospital continues to run about 80 percent, which is the reason for the surplus of revenues over expenses. "The 1987 budget would indicate that we will have another successful year," he continued, "and next March we hope to open our new Phase IV area. Looking out three years, the forecast for 1988-89 suggests that HUP will face increasing competition in a changing health care environment." The chairman of the Hospital board added that the HUP administration was trying to get costs down. He mentioned that labor negotiations were being conducted with the union representing the Hospital’s operating engineers.

Mr. Ballam went on to say that recently HUP had honored its Department of Surgery, which had performed 1,000 kidney transplants, and that the Hospital was expanding its organ transplant program. He noted that the lithotrypter had been in use for one year during which 1,000 patients had been treated for kidney stones. He reported that the HUP administration was presently exploring arrangements with other hospitals in conjunction with delivery of health care. He further observed that the search for a new executive director of the Hospital was proceeding, and, indeed, with the decision made about a change in governance, it would be accelerated.
Mr. Ballam said that within the week a presentation would be made to a visitation committee, which would be present in connection with HUP's application to be designated a one-level trauma center. He noted that the Hospital Board of Trustees viewed the plan for the creation of a new medical center as "a very forward-looking step, which will improve the governance of the Hospital and the Clinical Practices." He then observed that because Mr. Keen Butcher, who had been a trustee of the Hospital for 26 years, had become an emeritus trustee in January, a vacancy existed on the board and he introduced a resolution to fill it.

2. Action. A Resolution On An Appointment to the Trustee Board of the Hospital of the University of Pennsylvania was approved as follows:

RESOLVED, that Madlyn K. Abramson be appointed a member of the Trustee Board of the Hospital of the University of Pennsylvania and as an associate trustee of the University for a two-year term, effective 20 June 1986.

C. Investment Board

1. Mr. Neff observed that for the first time in any stated meeting of the board, he could report to the Trustees that the market value of the Associated Investments Fund (AIF) totaled more than $450 million. Adding separately invested trusts, the endowment has climbed to more than half a billion dollars, which, he pointed out, "is still well short of Harvard's $2.5 billion but a fair bit better than it was six years ago." Mr. Neff said that some 15 percent of the AIF was in cash or cash equivalents. "That would be about 20 percent on the equity side," he noted, "and represents some concern about the pace of the recovery in the marketplace, the velocity therein, and, indeed, the absolute levels that it has evolved to, which is some 14 times prospective earnings for this year, with no particular dynamic on the part of corporate earnings for this year or probably next year and interest rates that have declined about as far as thoughtful people could reasonably predict." Despite the advance in the market, Mr. Neff pointed out that the current yield on the total portfolio has been reasonably well maintained, moving down from 7.6 percent a little less than a year ago to 6.7 percent presently. "On the equity side," he said, "the current yield is 3.7 versus 6 percent in June of 1985. We've done this through portfolio shifts," he continued, "with emphasis recently on the oil side and on money-market or money-center banks. We're on the quality end of that spectrum, particularly with our initial portfolio of Royal Dutch and Exxon, but we've increased substantially the size of our Atlantic Richfield holding as well." He added that the 5.7-percent yield compared favorably with the 3.4-percent yield for the Standard and Poor 500 Stock Average for
"230 basis points more while remaining honest to our principles."

On the performance side, Mr. Neff continued, the full (NACUBO) year results won't be as exhilarating as last year in comparative terms, although absolutely, he pointed out, "there are some fair boxcar numbers. In effect," he went on, "we've developed a bit of a yellow streak down our back, recognizing that the AIF contains precious money, which we've moved up significantly, and we're interested in keeping a fair share of it, although it seems like we ought to have some kind of come-uppance in the marketplace. There has been a straight line upward surge since the early fall, and ours is rarely a straight-line world. We stand ready to capitalize on any 10-15 percent corrections to re-employ our liquidity."

2. Action. A Resolution on the Membership of the Investment Board was approved as follows:

RESOLVED, that the following persons be elected as members of the Investment Board of the Trustees of the University of Pennsylvania for a term of one year and until their successors are elected or appointed and qualified: Samuel H. Ballam, Jr., Julian S. Bers, Christopher H. Browne, Henry M. Chance, II, Joseph B. Glossberg, H. Samuel Greenwall, Samuel M.V. Hamilton, Adolph B. Kurz, Robert P. Levy, Paul F. Miller, Jr., F. Stanton Moyer, John B. Neff (as chairman), Wesley A. Stanger, Jr., Richard B. Worley, and D. Robert Yarnall, Jr.

3. Mr. Miller commented that on a total return performance index, the AIF stocks are worth 4.6 times as much today as they were in 1979. Mr. Shoemaker said that he hoped that he could continue to perform those "same miracles" during his term in office.

D. Academic Policy

Dr. Kaysen reported that the Academic Policy Committee had received excellent reports from Dean Robert Mundheim of the Law School and Dean Jan Lindhe of the School of Dental Medicine on the plans of their respective schools. "Dean Mundheim told us of his intention to increase the size of the faculty in order to reach a more educationally comfortable faculty-student ratio," Dr. Kaysen said, noting that by the end of next year the dean expects to be somewhat more than halfway toward his goal of raising the faculty size from 29, which was the total when he became dean, to 40. He noted that Mr. Mundheim had also given the committee members "encouraging news about the School's competitive attractiveness and the quality of its students as evidenced by the placement of its graduates. He gave us some sense of the continuing financial needs of the School in connection with the need to improve the quality of the law library, carry out physical renovations, and recruit faculty," Dr. Kaysen said.

He went on to report that Dr. Lindhe had talked about Dental Medicine's successful program to reduce the size of the School. "We were all impressed with the skill he has exhibited in achieving the difficult task of reducing the size of the student body, while raising its quality, and of reducing the size of the faculty," the chairman
commented. He said that Dr. Lindhe had described the Dental School's undergraduate program, which produces DMD's, and the various advanced dental training programs. "He asserted, and gave the evidence of his assertion, that the quality rank of the School is very high," Dr. Kaysen reported, "and he indicated what he is doing to maintain it. The committee found both presentations most encouraging, and it feels that the Trustees can take great pride and pleasure in the quality of these two deans."

E. Honorary Degrees

1. Dr. Kaysen went on to report that the Committee on Honorary Degrees had considered a resolution, which had been formulated in University Council Committee on Honorary Degrees, on the frequency and scale of special convocations. "There has been some concern that there may have been too many of these convocations," he said, "and perhaps now and then, the University has been a little overgenerous in awarding degrees on these occasions."

2. Action. A Resolution on A Policy for Awarding Honorary Degrees at Special Convocations was approved as follows:

Concerned about the number of special convocations within the University at which honorary degrees have been awarded and also about the lack of sufficient time available for review and assessment of merits of the honorary degree candidates selected by faculty members of schools sponsoring special convocations, the University Council Honorary Degrees Committee formulated a series of guidelines, which were subsequently evaluated and endorsed by the Trustee Committee on Honorary Degrees proposes them as University policy.

RESOLVED, that the number of special convocations within schools of the University be limited to occasions that mark significant anniversaries or similar occasions and that ordinarily there should be no more than one special convocation in any given academic year; that the number of honorary degrees awarded at special convocations normally be limited to half the number awarded at Commencement; that the names of the prospective candidates for honorary degrees, accompanied by a brief resume of their accomplishments, be submitted to the University Council Committee on Honorary Degrees prior to inviting the candidates to accept an honorary degree from the University and, under ordinary circumstances, no less than six months before the planned convocation; and that the University Council Committee on Honorary Degrees pass names on to the Trustees Committee on Honorary Degrees in a timely fashion.

F. Budget and Finance

In the absence of Mr. Eckman, Mr. Fox introduced 14 resolutions, which he noted had been reviewed and endorsed by the Budget and Finance Committee.

1. Action. A Resolution on the Operating Budget for Fiscal Year 1987 was approved as follows:

Intention:

The Budget and Finance Committee has reviewed the operating budget proposed for the University for FY 1987 and, based on the presumption that this budget is in balance, recommends its approval by the Trustees.

RESOLVED, that the operating budget recommended by the Budget and
2. Action. A Resolution on the Capital Budget for Fiscal Year 1987 was approved as follows:

Intention:

The Budget and Finance Committee has reviewed the capital budget proposed by the University for FY 1987 and, based on the understanding that individual projects costing $250,000 or more will be brought to the Trustees for separate action, recommends its approval by the Trustees.

RESOLVED, that the capital budget recommended by the Budget and Finance Committee for FY 1987 is approved.

3. Action. A Resolution on the Construction of a Mechanical Engineering Laboratory in the Towne Building for the School of Engineering and Applied Sciences was approved as follows:

Intention:

The School of Engineering and Applied Sciences (SEAS) has received a grant and pledge from General Motors Corporation to construct a modern, undergraduate laboratory for mechanical engineering. The school proposes to renovate existing laboratory and office space in the Towne Building for this undergraduate program. As part of the project, a new mezzanine level will be added. The renovated laboratory will be used as a computer based undergraduate mechanical engineering laboratory.

This proposal is included in the school's five-year capital plan and the administration supports the project. The total cost estimate is $435,000. The school proposes to finance the renovation as follows: $400,000 grant from General Motors of which $250,000 is in hand, and $35,000 from SEAS. $50,000 is pledged by General Motors each year for the next three years.

RESOLVED, that construction of an undergraduate mechanical engineering laboratory in the Towne School, estimated to cost $435,000, be, and the same hereby is approved in accordance with the proposal 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 construction, execute such contracts and incur such expenses of the estimated cost of such construction as presented to the Budget and Finance Committee as may, in their judgment, be necessary or desirable to accomplish such construction.

4. Action. A Resolution on the Construction of a Magnetic Resonance Spectroscopy (MRS) Instrument Facility and Related Laboratory in the Johnson Pavilion for the School of Medicine was approved as follows:

Intention:

The School of Medicine proposes to construct research facilities for Dr. Robert Johnson, a Howard Hughes Medical Institute investigator, on the third floor of Johnson Pavilion. These include a Magnetic Resonance Spectroscopy (MRS) instrument facility, and supporting facilities in the Johnson Pavilion's unused penthouse. This project is included in the school's five-year capital plan and the administration supports the project. The cost of this facility is estimated at $1.3 million. The School of Medicine proposes to finance the project from Howard Hughes Medical Institute funds.

RESOLVED, that the construction of Magnetic Resonance Spectroscopy laboratories on the third floor and Penthouse of the Johnson Pavilion, estimated to cost $1.3 million, 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 construction and execute such contracts and incur such expenses of the estimated cost of such construction as presented to the Budget and Finance Committee as may, in their judgment, be necessary or desirable to accomplish such construction.

5. Action. A Resolution on the Renovation of the Basketball Court and Public Spaces in the Palestra was approved as follows:

Intention:

The entire Palestra complex, built in 1927, is exposed to heavy campus use. It is in poor physical condition and requires major renovation. A phased implementation plan has been developed. The first phase includes installation of new seating, painting of walls and ceilings, a new public address system, and electrical repair work. The estimated project cost of the first phase, to be implemented during the summer of 1986, amounts to $700,000. The proposal is included in the Department of Recreation and Intercollegiate Athletics' five-year capital plan. The administration supports this project and has allocated $250,000 from Fiscal 1987 deferred maintenance funds for it. The department has undertaken a fundraising campaign for the Palestra renovation. The University will advance $450,000 for the project, which will be repaid by the department over five years.

RESOLVED, that the first phase of the Palestra renovation, estimated to cost $700,000, 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 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 renovation.

6. Action. A Resolution on the Construction of a Building for the Department of Recreation and Intercollegiate Athletics was approved as follows:

The existing air-supported canvas field house to the south of the Holleback Center, which was initially installed ten years ago, has collapsed and is beyond repair. The DRIA proposes to replace the canvas field house with a prefabricated steel "Butler" type structure. The project is included on the University's five-year capital plan and the administration supports construction of the new field house. The new facility will provide, during inclement weather, practice space for men's and women's track and field teams and for the ROTC and NROTC programs. The projected cost of the new structure has been estimated at $555,000. The building will be approximately 28,000 square feet. The DRIA has undertaken a fund raising campaign for this improvement. The University will advance the funds and will be repaid by the department over five years.

RESOLVED, that construction of a prefabricated field house, estimated to cost $555,000, 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 construction and execute such contracts and incur such expenses of the estimated cost of such construction as presented to the Budget and Finance Committee as may, in their judgment, be necessary or desirable to accomplish such construction.

7. Action. A Resolution on the Renovation of the Institute for Environmental Medicine Laboratory in the Medical Laboratories Building for the School of Medicine was approved as follows:

SECRETARY
Intention:

The School of Medicine proposes to renovate the 5,980 square feet of existing medical research laboratory space in the eastern end of the Medical Laboratory Building basement to meet the requirements of the Institute for Environmental Medicine under the new leadership of Dr. Aron Fisher. This project is included in the School’s Five-Year Capital Plan and the administration supports the project. The cost of this facility has been estimated to amount to $2.0 million. At this time the administration requests approval for the entire project but intends to expend funds only for architectural/engineering fees amounting to $160,000. The project will move forward when the School of Medicine can pay for this renovation from its Education and Development Funds.

RESOLVED, that the Institute for Environmental Medicine laboratory renovations, estimated to cost $2.0 million, 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 renovation.

8. Action. A Resolution on the Allocation of a Projected Fiscal Year 1986 Surplus was approved as follows:

Intention:

The administration estimates that, for the fiscal year 1986, there will be an unrestricted surplus of $553,000. The administration proposes to allocate a substantial portion, $500,000, of that unrestricted surplus to the Undergraduate Development Fund. This leaves a $53,000 surplus for the fiscal year ending June 30, 1986.

RESOLVED, that the administration be and hereby is authorized to transfer up to $500,000 to the Undergraduate Development Fund.

9. Action. A Resolution on the Renovation of the Furness Building and Duhring Wing was approved as follows:

Intention:

The Furness Building, built in the late 1880s and dedicated in 1891, is one of two campus structures listed on the National Registry. Since the building is in poor condition and requires a major rehabilitation effort, the architectural firm of Venturi, Rauch & Scott Brown was commissioned to survey and develop a feasibility study for renovating the Furness Building and attached Duhring Wing. The renovated facility would continue to house the Fine Arts Library, Louis I. Kahn Archives, Perkins Library of Rare Books, and the Graduate School of Fine Arts studios, classrooms and seminar spaces. The completed feasibility study recommended a two-phase renovation. Phase I consists of the replacement of the roof, exterior restoration, and building code work at a total cost of approximately $7.0 million. Phase II consists of interior renovation estimated to cost approximately $8.5 million.

To support this renovation, a major fund-raising effort has been undertaken. The Furness Building roof, exterior renovation, and building code work are included in the University’s five-year capital plan. $2.5 million of deferred maintenance funds, at $500,000 per year for the next five years, will be allocated for the Furness Building envelope renovation. The administration proposes that the development of the schematic drawings for the two phases and the bidding documents of the first phase be authorized. Prior to any construction work, additional approvals from the Trustees will be sought. The University will advance the
funds and will be repaid from gifts over five years.

RESOLVED, that schematic drawings of the proposed two-phase renovation and bidding documents of the first phase, not to exceed $500,000, 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 renovations 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.

10. Action. A Resolution on the Renovation of the First Phase of the Chemistry Department's 1958 Wing was approved as follows:

Intention:

A programmatic study of the Chemistry Department's three-building complex has been completed by architects. The administration is prepared to begin the first phase. Phase 1A of the project consists of renovating and building a state-of-the-art Organic Chemistry teaching laboratory on the third floor in the 1958 Wing and related utilities for the building and a new enclosure on the top of the 1958 Wing for the utilities. This proposal is included in the School of Arts and Sciences five-year capital plan. The administration supports the project. The estimated fee required for development of bidding documents is approximately $425,000. The University will advance these funds and the School of Arts and Sciences proposes to repay this expenditure from gifts. To date, a $2.0 million grant has been received from a local foundation toward this project.

RESOLVED, that an expenditure for architectural/engineering fees for the preparation of the bidding documents for the first phase of the Chemistry '58 Wing, estimated to cost $425,000, 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 contract 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 renovation.

11. Action. A Resolution on Renovations to Hilton Hotel Administrative Floors was approved as follows:

Intention:

At least two floors of the newly acquired Hilton Hotel will be used by the Medical Center and Children's Hospital. In order to accommodate this need, the floors require renovations which are estimated to cost no more than $1 million. The source of the funds would be the proceeds of the loan from the Equitable Life Assurance Society of the United States. The University will create office and patient space and charge the tenant market rents for the improved space.

RESOLVED, that renovations to the Hilton Hotel building, estimated to cost approximately $1 million, be and the same hereby are approved in accordance with the proposal 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 renovations 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 and desirable to accomplish such renovations.

12. Action. A Resolution To Guarantee Certain
Graduate/Professional Loans Through the Penn Plan was approved as follows:

Intention:

In 1985, the Penn Plan initiated a loan program for professional students through the Philadelphia Saving Fund Society. The program permitted students who were credit-worthy, or who had credit-worthy co-makers, to obtain favorable financing terms in order to borrow for educational expenses. Certain students may not be credit-worthy or have the ability to obtain credit worthy co-makers and yet have need of these financing arrangements. In order to evaluate the appropriateness of University guaranteed loans to these students and to measure the degree to which loans are repaid, it is the administration’s recommendation that the University initiate a pilot program, wherein it would guarantee loans made under this program up to $1 million for the academic year beginning September 1986. Eligible students would be determined by the participating graduate and professional schools. Those schools would assume full financial responsibility for loan losses. This program will add $1 million to the University’s contingent liabilities.

RESOLVED, that the Vice President for Finance or other appropriate officers be and they hereby are authorized to execute the necessary documentation to guarantee loans in the Penn Plan’s Graduate/Professional Student Loan Program to a maximum of $1 million in conformity with the program as outlined to the Trustees’ Committee on Budget and Finance.

13. Action. A Resolution to Purchase 3805-07 Walnut Street From University City Associates, Inc. was approved as follows:

Intention:

In June 1982 University City Associates purchased a property, 3805-07 Walnut Street, at the northeast corner of 38th and Walnut Streets. The purchase price was $165,000. During fiscal year 1986 University City Associates made structural and cosmetic improvements to the exterior of the building, at a cost of $108,000, but the property remained vacant.

After evaluating potential tenants, the administration has concluded that the property’s best use would be as a dormitory for one of the University’s recognized fraternities.

Tau Epsilon Phi ("TEP") had been occupying the Kappa Sigma Fraternity house and sought new quarters for the academic year beginning September 1986. TEP agreed to raise funds, incur indebtedness of $413,000 to renovate the interior and enter into a dormitory agreement with the University.

Since the building will be used as a dormitory, it is more appropriate that it be owned by the Trustees of the University rather than by University City Associates. As a condition of its loan to TEP, First Pennsylvania Bank requires assignment of the dormitory agreement and placement of a lien on the property. Since the improvement will benefit the property as well as the students, the administration recommends support for the bank requirements.

The administration also recommends that the property be purchased from UCA at a price of $273,000, the book value plus the improvements made to the property.

RESOLVED, that the property at 3805-07 Walnut Street be purchased from University City Associates at a cost of $273,000 and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to execute such contracts and incur such costs necessary to purchase the property.

FURTHER RESOLVED, that the Treasurer or other appropriate officers
of the University be and they hereby are authorized to execute any affidavits, comfort letters or other documents deemed necessary or appropriate to effect full settlement of the above-described transaction.

14. Action. A Resolution Granting Authority, as Required by Law, Concerning Certain Dispositions of Real Estate in the Normal Course of Business was approved as follows:

Intention:

The administration has been advised by the general counsel that certain provisions of the Pennsylvania Corporation Not-For-Profit Code may be interpreted as requiring authorization from the Trustees with respect to leasing away the University's real property and is accordingly seeking such authorization with respect to certain real estate transactions which may be undertaken in the future.

RESOLVED, that authorization to lease any portion of the University's real property to the extent required by Section 7547 of the Pennsylvania Corporation Not-For-Profit Code is hereby granted with respect to (i) leasing of University owned real property as may be hereafter specifically authorized or approved by the Trustees or the Executive Committee, and (ii) leasing of University owned real property as has been or may be hereafter undertaken by the administration in the normal course of the University's business and which accordingly does not require specific Trustee approval.

G. Development

Mr. Jones reported that as of 13 June gifts and subscriptions stood at $84.2 million, which is the greatest amount of money ever raised in a single year by the University. "We anticipate that by the end of June the final tally will be slightly in excess of $85 million," the chairman said. He went on to note that gifts from individuals are approximately even with last year, although the alumni component of the individual gifts total is about 6 percent behind FY'85. "Last year the generous multi-year pledges that our board members committed to the Building Penn's Future program were put on the books," he explained, "and if those extraordinary gifts were to be subtracted from last year's totals, alumni giving would actually be showing a 43 percent increase in FY'86." Mr. Jones added that he was deeply grateful to the Trustees whose collective gifts to the Building Penn's Future program had totaled more than $19 million.

He then observed that the University had experienced another history-making year in our pursuit of gifts from the corporate sector. "The $26.7 million we received is truly extraordinary," he said, "and it testifies to the increasing sophistication of Penn's relationships with business and the industrial community."

Mr. Jones also reported that receipts are 16 percent ahead of last year. He mentioned that Annual Giving continues to enjoy excellent growth and noted that when all receipts are recorded, it is anticipated that the FY'86 campaign will have generated a record $1.2 million.

Turning to outstanding individual gifts and commitments, he called the Trustees' attention to the following:
-the establishment of the Drexel Burnham Lambert Professorship of Investment Banking in Honor of I.W. Burnham, II, which was made possible by a commitment of $500,000 from Mr. Burnham and a $500,000 commitment from Drexel Burnham Lambert Incorporated;
-a pledge from Mr. Heyman of $1 million to endow a professorship in the Wharton School, which will be awarded at the dean's discretion with preference given to an individual with a demonstrated commitment to undergraduate education;
-a commitment from Louise Kahn, wife of the late Edmund Kahn (W'25), to provide for a fully-funded professorship in his name, which will not be restricted for use in a particular school or discipline, but will be left to the president's discretion.

Mr. Jones further noted that The Pew Charitable Trust, which has been the University's most generous benefactor in recent years, had awarded several significant grants to Penn during the 1985-86 academic year. He also reported on grants that had helped Penn make steady progress in creating a physically accessible university. "A grant of $100,000 from the Widener Memorial Foundation in Aid of Handicapped Children, whose president is Trustee Fitz Dixon, is a key to access projects in two residences, the Quad, and the Modern Languages College House," he said, "and the Widener Foundation award for the Quad also qualifies for matching funds under the terms of the Kresge Foundation challenge grant of $750,000 toward the Quadrangle renovation project."

Mr. Jones went on to mention that one of the nicest corporate gifts the University received this year was from IC Industries. He noted that the company has established a chair in corporate law in Honor of William B. Johnson, its outgoing chairman and CEO, who is an alumnus of the Law School and member of its Board of Overseers. "This gift of $1.25 million is, we believe, the largest ever made by IC Industries," the Development chairman added. He then commented on the progress that has been made in the development program to increase and support minority presence at Penn. He said that since the fall, the University has taken significant steps to position itself for success in its $6 million fund drive. In particular, he mentioned the appointment of Joseph Watkins as an assistant to the president for minority presence, charged with providing the administrative focus for Penn's efforts.

"I hope that the Development Committee will be able to report dramatic progress at the October stated meeting," Mr. Jones said. "It will then be a year since the Resolution on the Development Program to Enhance Minority Presence at Penn was adopted by the Trustees, and we hope to use that occasion to launch the public phase of the program."

He concluded by observing that trustee involvement in development efforts has been significant, and he said he was "deeply touched" by the help members of the board had given him as chairman of the Development Committee over the past several years.
Mrs. Wexler observed that the External Affairs Committee had heard reports on government affairs, communications and publications, and the University Press. She went on to say that rather than focusing on these presentations she chose to give a year-end report, reflecting "the culmination of a long process. A number of years ago," she noted, "the External Affairs Committee was greatly concerned about the unfocused image of the University of Pennsylvania that was being communicated internally and externally. Now," Mrs. Wexler continued, "I think we can express an almost total consensus of committee members that the advance made by the staff generally over the last five years, and intensely over the last three years, in the integration and articulation of the University’s various styles and symbols in an effort to obtain a more focused representation of Penn in the national press and, equally importantly, in the internally designed and communicated journals has been quite extraordinary." She extended congratulation to Vice President Webber and Ms. Duffield for an accomplishment, which she said many thought was almost impossible. She also thanked the trustees from the business community for "the good sense and sensitivity in working toward an understanding of "the very great difference between line and staff in corporate communications and communications that are part of a university entity. They came to recognize," the chairman continued, that leadership in the educational world has to be in a "jazz-band mold rather than that of a symphony. I give up my baton of leadership of the External Affairs Committee with a good deal of lyrical joy in the fact that we, the Trustees and the management of the University, have come a long way." Mrs. Wexler then paid special tribute to Mr. Wolf and Mr. Porter for their contributions.

I. Facilities and Campus Planning

Mr. Arader reported that the Facilities and Campus Planning Committee had discussed three major issues. "First, he said, "we discussed the capital budget, which identified all of those projects presently under consideration on campus both as to cost and to funding source, including shortfall where it occurred. The next item," he continued, "was the cogeneration project." Mr. Arader explained that the Committee reviewed the situation with respect to the University’s present energy supplier as well as Penn’s future energy needs, and that it gave two specific caveats to the administration: first, that an independent consulting source parallel the work being done by the University’s consultants, and, second, that the administration consider all viable alternatives to cogeneration. He said that the Committee was assured that a complete cost study would be available at its next meeting and that no commitments would be made until the board had a chance to review the cost study and savings projections.

"The final presentation to the Committee," the chairman continued, "was made by Dean Lee Copeland of the School of Fine Arts and by architect Robert Venturi. Mr. Venturi has been selected as the
architect supervising the reconstruction of the Furness Building," he said, noting that discussion revolved around the importance of the Furness Building as a campus symbol. He noted that the costs of the project, "a considerable $7 million in the first phase and $8 million in the second," were described and a plea made that the Furness renovation be looked upon as a project for the entire University rather than a project for the Graduate School of Fine Arts.

J. Student Life

Mrs. Mainwaring reported that members of the Student Life Committee and a good number of other trustees had toured the residences in the Quad. "It was most gratifying," she said, "for those of us who have been trustees for some time to see what began in the early 1970s come to fruition. Although the total program is not finished yet, we saw a renovation that is truly creative and one that will be most helpful in furthering residence programming as well as a wonderful living environment for our students." She further noted that the Quad renovations should be helpful in recruiting, and she said the Committee was "very happy with the entire facility." Mrs. Mainwaring concluded her report by saying that chairing the Student Life Committee had been a "wonderful experience."

K. University Responsibility

1. Before introducing a resolution for Trustee action, Mr. Brown gave some background on the activities of the University Responsibility Committee. He noted that for the last two or three years, the Committee has been struggling with "the problem of what the University can and should do to try to help bring an end to the apartheid system in South Africa, which all of the trustees regard as an abhorrent system." He reminded the members of the board that in January of 1986 they had voted in favor of a three-phase program. "The first part," he said, "required the University to communicate in its capacity as shareholder with companies in which it holds stock that do business in South Africa and to call on companies to try to put pressure on the government of South Africa to end apartheid. The second part," Mr. Brown continued, "was the requirement that if by June 30, 1987 substantive progress has not been made in dismantling the legal structure of apartheid, the Committee will call upon the companies in which the University holds stock that are doing business in South Africa to get out of South Africa. The third part of the program involved the proposal that if a corporation would not agree under those circumstances to leave South Africa within a reasonable time, the Committee would recommend to the Investment Board to divest the stock of that company. Moreover, the Committee was going to continue to monitor the situation in South Africa and if any change in the University's policy on South Africa-related investments was required, the Committee would return to the Trustees with a new resolution or further proposals." Mr. Brown

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then observed that since January, the Committee had done the following things: written to corporations in which the University holds stock that do business in South Africa to notify these companies of the University's policy and to ask that they try to bring pressure on the South African government to end the apartheid system; monitored the situation in South Africa; and received from a coalition of eight campus organizations a series of requested modifications to the Trustees' previous position. He said that the Committee had studied these requested modifications very carefully and that the Committee's Report to the Trustees contained an appendix in which the Committee formally responded to each requested modification, stating whether the Committee members agreed or disagreed, and explaining the reasons for the Committee's stance. "At a meeting yesterday," the chairman continued, "the Committee decided to recommend two further changes in the University's policy. The first proposed change is that the University's policy be modified to state that if the University divests its stock holdings in a company which operates in South Africa, the University should also sell any bonds or debentures which it holds in such companies and that any ban on the purchase or acquisition of stock in such companies should also apply to the purchase or acquisition of that corporation's bonds or debentures. The second proposed change is that if the Committee determines that by June 30, 1987 substantive progress has not been made in dismantling the legal structure of apartheid, the "reasonable period of time" afforded companies in which to withdraw from South Africa will not extend beyond June 30, 1988 unless a company satisfies the Committee that extraordinary circumstances require an additional period. Furthermore, the Committee proposes to write to the South African-related companies in the University's portfolio to express its concern over the worsening situation in that land and to ask that these companies give serious consideration to planning for their withdrawal from South Africa."

Mr. Brown then read the Committee's resolution and moved its adoption. Judge Higginbotham expressed congratulation to Mr. Brown, and commented that he found the Committee's resolution an improvement over the one acted on by the Trustees in January. "What I was concerned about before," Judge Higginbotham said, "was a certain level of ambiguity in terms of what you do when Judgment Day comes in June of 1987. Would we get lost in a quagmire for the next two or three years deciding what kind of policy we should adopt? I objected to the resolution in January because I felt it did not have enough specificity, and now a lot of the basis of my objection has been removed by the Committee wisely adding a time limit that, as I understand it, says that if apartheid has not been substantially dismantled by June 30, 1987, all of the South African-related companies in which we own stock will be asked to
disinvest within one year unless there is some exceptional circumstance, and then I gather that the burden of proof is on the company to explain why they cannot extricate more quickly. This is very significant progress, and I will support the resolution."

Judge Higginbotham added that he still had one reservation, which relates to how the Committee defines substantive progress on page 13 of the appendix to its report. "Perhaps it is becoming increasingly more a matter of semantics and less a matter of differences in position," he said, "but I feel that the term 'substantially all' should be eliminated and that we should just say that all of these conditions have to take place, and if all of them do not, then you don't have to debate what is substantial. But I think we are now at the point at this University where we should not spend any more time debating the issue of what is the best approach for doing something about our securities. I think we have to start to address ourselves in a more precise fashion than we ever have in the past to what we can do within the University in terms of providing educational opportunities for black South African students."

Judge Higginbotham distributed to the board a report from the Urban Foundation, noting that he believed there were three basic facts in the report that the Trustees should address themselves to that went beyond the agenda for action proposed by Mr. Brown. "The first is that more than 50 percent of the economically-active black population in South Africa has had no formal education; the second is that the percentage of underqualified teachers for whites is four percent and for blacks it is 80 percent; and the third is that the South African government is spending five times as much on the education of a white pupil as on the education of a black pupil, and data from the Carnegie Foundation puts the figure at ten times as much." The judge expressed the hope that by the time of the next Trustees' meeting, the University could identify "what it is doing not by picketing or protesting or carrying placards but what it will do to increase the number of students and faculty who come here to get an education. That," he concluded, "is our number one business, and it seems to me that has to be our primary focus."

Mr. Shoemaker noted that President Hackney had already mentioned that a committee would be appointed to review Penn's options in regards to providing educational opportunities for black South Africans and that it would report back to the board in the fall.

2. Action. A Resolution on the Report of the University Responsibility Committee was approved as follows:

The Report of the Committee on University Responsibility, with Recommendations, Concerning University Policy Relating to Investments in Companies doing Business in South Africa dated June 19, 1986 (Appendix II) has been circulated to the Trustees in advance of today's stated meeting. This report includes a number of recommendations pertaining to the University's ownership of
stock in companies doing business in the Republic of South Africa. The Trustees are united in their abhorrence of apartheid and intend to adopt the recommendations of the Committee.

RESOLVED, that the Trustees accept the Report of the Committee on University Responsibility to the Trustees, with Recommendations, Concerning University Policy Relating to Investments in Companies doing Business in South Africa, dated June 19, 1986, and adopt the Committee's recommendations as follows:

(1) If the Committee on University Responsibility determines that by June 30, 1987, substantive progress has not been made by the South African government in dismantling the legal structure of apartheid, as defined in its report dated June 19, 1986, the Committee will ask companies in which the University owns stock, bonds or debentures to withdraw from South Africa. If a company fails to withdraw from South Africa within a reasonable period of time thereafter, which period shall not extend beyond June 30, 1988 unless a company satisfies the Committee that extraordinary circumstances require an additional period, the Committee will recommend that the University divest its holding in that company. In carrying out this resolution, the Committee shall communicate now with companies in the University's portfolio having South African operations to encourage their active efforts to end apartheid and to inform them of the University's expected timetable.

(2) The Committee shall recommend the sale of stock, bonds and debentures in any company in the University's portfolio which is a signatory to the Sullivan Principles and which has a Sullivan rating of III-B (Did Not Pass Basic Requirements), such divestment to be carried out in a prudent and orderly fashion upon ascertainment of the Sullivan rating.

(3) Any company in which the University holds a stock, bond or debenture investment which operates in South Africa and which receives a Sullivan rating of III-A (Received Low Point Rating), should improve its rating by the next Sullivan reporting period, and if no improvement is noted in the subsequent report, the Committee should recommend the sale of the University's stock, bonds and debentures in that company, such divestment to be carried out in a prudent and orderly fashion.

(4) The University should not purchase any shares of stock, bonds or debentures in companies which do business in South Africa and which:

(a) are not signatories to the Sullivan Principles or a substantially equivalent statement of principles of corporate practices; or

(b) are signatories to the Sullivan Principles and have received a Sullivan rating of III-B (Did Not Pass Basic Requirements) in the most recent Report On the Signatory Companies to the Sullivan Principles; or

(c) are signatories to the Sullivan Principles or a substantially equivalent statement of principles of corporate practices but which have not reported their progress under the Sullivan Principles or their substantial equivalent.

Adjourned.
Respectfully submitted,

Mary Ann Meyers
Secretary of the University

PLEASE NOTE: APPENDICES TO THESE MINUTES CAN BE FOUND IN THE PERMANENT MEETING FILE.