A Stated Meeting of the Trustees was held on Friday, 24 October 1986, in the Arthur Ross Gallery of the Furness Building. Trustees attending the meeting included: Arlin M. Adams; Leonore Annenberg; Walter G. Arader; David C. Auten; Samuel H. Ballas, Jr.; Gordon G. Bodek; Alan C. Bowser; Richard P. Brown, Jr.; Howard Butcher, III; Susan W. Catherwood; Henry M. Chance; III; Gloria Twine Chisum; D. Michael Crow; Charles D. Dickey, Jr.; F. Eugene Dixon, Jr.; B. Morris Dorrance, Jr.; John W. Eckman; Melvyn J. Estrin; Robert A. Fox; C.F. Fretz; James J. Gavrin, Jr.; Bruce J. Graham; Sheldon Hackney; Stephen J. Hayman; Reginald H. Jones; Carl Kaysen; Robert P. Levy; William Thomas Lockard; David J. Mahoney; Margaret R. Mainwaring; Paul F. Miller, Jr.; Paul S. Miller; Anthony S. Minisii; John B. Neff; Alvin V. Shoemaker; Michael L. Tarnopol; Robert L. Trescher; Frederick J. Warren; Jacqueline G. Wexler; and Charles S. Wolf. Others present included: James J. Bishop; R. Jean Brownlee; Valerie Swain Cade; Stuart Carroll; Gustavo Castillo; Francesca Chapinan; Richard C. Clelland; Nicholas Constantin; Thomas Ehrlich; Wendy Ferber; Karen Geinns; Shelley Z. Green; Stanley Johnson; George Koval; Eric Lang; Robert O. Lorndale; Mary Ann Meyers; Helen B. O'Bannon; William Owen; Vincent Phaahla; Vigil Renzulli; Benjamin Shani; Michael Some; Willis J. Stetson, Jr.; Barbara Stevans; Ed Sussman; Judith Warren; Joseph Watkins; and Marna Whittington.

I. Call to Order

Chairman Shoemaker called the meeting to order and an invocation was offered by Chaplain Stanley Johnson. The minutes of the 20 June 1986 meeting were approved as written by the secretary.

II. Report of the Chairman

Mr. Shoemaker commented on Trustee David Mahoney's many contributions to the University and expressed the hope that he would remain involved and supportive even as his second term comes to an end.

Action. A Resolution of Appreciation to David J. Mahoney was approved as follows:

A 1945 graduate of the Wharton School, David J. Mahoney has completed ten years of exemplary service to the University as a term trustee. During this period he lent his counsel to the Nominating Committee, External Affairs Committee, Resources Committee, and Student Life Committee. He spearheaded the effort to enhance Penn's programs and research in the neurosciences, and in recognition of the quality of his leadership, the University's Institute for Neurological Sciences bears his name. His generosity also has made possible
the creation of the David Mahoney Professorship of Neuroscience in the School of Medicine.

David Mahoney came to Pennsylvania as a talented basketball player; departed for service as an infantry officer during World War II; and, on his return, completed work for his degree by commuting from his job at a New York advertising agency. As an alumnus, he was the first recipient of the Joseph P. Wharton Award, the Wharton School's Man of the Year in 1974, and a leader in the Program for the Eighties in the New York area.

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 David J. Mahoney, Jr., their grateful appreciation for his service.

III. Report of the President

A. Dr. Hackney called the attention of the Trustees to the exhibit of drawings by Friedrich Weinbrenner, an 18th-century planner and architect from Carlsrud, Germany, which surrounded them in the Arthur Ross Gallery. He went on to comment on the state of the University, calling it "healthy and vigorous. There is considerable academic momentum," he said, "and we are now poised for even more rapid progress in the future." The president mentioned the success of Penn's fall term sports teams, especially football and field hockey.

He reported on a "very interesting" campus symposium on the Strategic Defense Initiative, known as Star Wars, which featured the first public appearance after the summit meeting in Reykjavik of General Leonard Abramson, the chief of the SDI program, as well as talks by Professor Sydney Drell, director of the Stanford Linear Accelerator, and Paul Warnke, chief arms negotiator in the Carter Administration.

"All of the sessions were well attended," Dr. Hackney said, "and they received a good bit of public notice." He went on to note that the symposium was an example of the University's special ability to focus attention on important public issues and to encourage rigorous thought about them from the best minds in the country. He also mentioned the President's Forum program entitled "Colorlines: The Enduring Significance of Race," a year-and-a-half-long effort chaired by history professor Robert Engs. "It began last January with the speech Bishop Desmond Tutu gave in Irvine Auditorium," the president said, "and it continues with a rich succession of events." In particular, he called attention to a panel discussion of ethnicity and conflict in India and Sri Lanka and a symposium on ethnicity and housing in Philadelphia neighborhoods. "A rich collection of scholarly and popular thought is being brought to bear on a very important subject," Dr. Hackney said.

He then recalled that in June, after a discussion of the South African investment issue, Chairman Shoemaker had asked three trustees, David C. Auten, A. Leon Higginbotham, Jr., and Margaret R. Mainwaring, to serve as an ad hoc committee to work with the University
administration on ways to provide educational opportunities at Penn for black South Africans. "I have met with that committee," the president noted, "as well as with the University Committee on Consultation in the process of bringing forward a proposal for identifying black South Africans, matriculated at South African institutions of higher education, who would be named as Penn South African Fellows. Dr. Hackney then described in detail the exchange initiative, which is attached to these minutes as Appendix A.

He went on to report on activities of the West Philadelphia Partnership, an organization representing the major institutions in West Philadelphia and neighborhood associations. The University, he said, has been a leader in a "Buy West Philadelphia" program; Penn's Purchasing Department invited vendors from West Philadelphia to the campus to teach them how to do business with a large institution, and the University has pledged to purchase at least $1 million of goods and services from them, a total it will exceed in the current fiscal year. The University also has taken the lead in a "Hire West Philadelphia" program, which is an attempt to link together referral agencies that can help West Philadelphia find employment in the area's major institutions. "Some 30 percent of our work force live in West Philadelphia," the president noted, "so we have not only a moral obligation to make this area a more vital and vibrant place to live but a long-term self-interest." He went on to mention the West Philadelphia Youth Improvement Corps, which has been expanded from a summer instructional pre-employment program to a year-round program that engages students in neighborhood improvement projects and operates in the Bryant School, the Lea School, and the West Philadelphia High School, with teacher supervision.

He then noted that last spring in cooperation with Trustee Constance Clayton and the Philadelphia School System, Penn and other West Philadelphia institutions of higher education formed a West Philadelphia Educational Collaborative (WFEC), whose board includes educators from the West Philadelphia public schools, representatives from the major institutions involved in the West Philadelphia Partnership, and neighborhood activists who are interested in improving the school system in West Philadelphia. WFEC's initial three projects, all of which have been accomplished or are underway, include: the production of an educational resources handbook, which gives names and addresses of people who can be brought into the public school system to help enrich the available educational experiences; a new, more comprehensive and focused tutor recruitment program, which involves more than 300 Penn students, as well as students from Drexel and Philadelphia College of Pharmacy, working with youngsters in 18 public schools in West Philadelphia; and a Middle-School Years
Conference, which Penn will host in November, allowing local participants to discuss issues with experts from around the country. Dr. Hackney observed that he had recently paid a visit to the Lea School at 47th and Locust Street, and I was "extraordinarily impressed at the absolutely marvelous teaching being done and the happy learning. It reinforced my sense that we can contribute to our own neighborhood," he concluded, "and I think we're doing it."

B. Academic Report

Mr. Ehrlich observed that the University's planning effort was continuing at "full throttle," and he said that he expected that most of the school's five-year plans will have been published in Almanac by the end of the academic year. He went on to mention that the Undergraduate Education Fund and the Research Facilities Development Fund had been established and were in use. He commented on the quality of the freshman class and noted that the University continues to seek the best graduate students. Calling attention to the physical renovation of the campus, he said that it contributes directly to Penn's academic well-being. The provost then expressed the hope that the Trustees would have a chance to read the booklet entitled Emphases. Designed especially for freshman and sophomores, it contains essays by 80 of the faculty, which Mr. Ehrlich described as "windows into the intellectual excitement of this institution and the best explanation there is of why Penn is such an exhilarating place."

He went on to note that searches are underway for deans of the Graduate School of Education and the School of Veterinary Medicine. He then commented on seven nominations for appointment or promotion to tenure, describing Guillermo Calvo, proposed as a professor of economics, as "one of Columbia's ablest scholars in the field of macro-economics," John J. Richetti, proposed as a professor of English, as an "outstanding contributor to 18th century literary scholarship," Howard Peck, proposed as a professor of city and regional planning, as an "international authority on industrial technology issues as they relate to the Third World," Anne W. Spirn, proposed as a professor (and chairman) of landscape architecture and regional planning, as "one of the most distinguished faculty members in her field in the nation," John E. Biaglow, proposed as professor of radiation biology and biochemistry in radiation therapy, as a "renowned figure in tumor biology and irradiation response," John M. Daly, proposed as Jonathan E. Rhoads Professor of Surgery (and chief of oncology), as a "leader in the field of nutritional biochemistry and
tumor metabolism," and Alfred R. Smith, proposed as a professor of radiation physics in radiation therapy, as one of "the nation's best medical physicists with a superb reputation as both clinician and teacher."

Action. A Resolution on Appointments, Leaves, and Promotions was approved as found on pages 1 through 15 of the meeting book.

C. Financial Report

Mrs. O'Bannon called attention to three new construction projects that progressed rapidly over the summer: the Wharton Executive Education Center, the Career Planning and Placement Center, and the new building at 3401 Walnut Street. She said that a lot of deferred maintenance had been undertaken during June, July, and August, particularly in buildings of the School of Veterinary Medicine and in Williams Hall, Franklin Field, and the Palestra. The senior vice president further observed that nearly $23 million worth of renovations had been completed in the residential system on time and under budget. "We made a special effort to spruce up classrooms," she continued, "and I think it really paid off in terms of how the classrooms looked when the students and faculty returned this fall." She noted that the University was learning how to operate a hotel, and she reported that the administration had decided to terminate the Hilton franchise. She went on to mention that in Washington, the University's director of federal relations, David Morse, had worked on the reauthorization bills, the key funding bills for NIH and NSF, Medicare legislation to protect capital pass-throughs, and tax reform, although not, in the last case as successfully as on other legislation.

In an effort to make resources go further, Mrs. O'Bannon observed, Penn had introduced a corporate travel program and named a preferred travel agency. "We continue to look for ways to conserve our cash," she continued, "and Mr. Fox will introduce a resolution to refinance some of our outstanding indebtedness, as we believe we can take advantage of lower interest rates and reduce the University's interest payment obligations." She called attention to the audited Financial Report for 1986, noting that Penn had received an unqualified statement from its auditors, Coopers and Lybrand. For the first time, the senior vice president pointed out, the University has reached the $1.1-billion mark in its fund balances, which is an increase of 15.6-percent over 1985.

Turning to the financial report for the first quarter of Fiscal Year 1987, she noted that the data are very preliminary, so estimates may change over the course of the year. Nevertheless, she said the
administration anticipated, on the positive side, some savings in salary expense, non-guaranteed student aid expense, and utility costs, as well as a gain in undergraduate tuition revenues. On the negative side, Mrs. O'Bannon cited potential shortfalls in gifts and sales revenues, temporary investment-fund income, unrestricted alumni annual giving, and graduate and special tuition, together with possible cost overruns in current expense and research-assistant tuition subvention expense and a decline in indirect cost recoveries because of a reduction in the rate and the fact that the University's volume of research has not grown enough to offset that decline. "We believe that at the end of Fiscal Year 1987, we will have an unrestricted surplus of $750,000," she concluded, "and we would propose committing $615,000 of it to the Undergraduate Development Fund, using $97,000 to amortize the Graduate Hospital debt, thereby leaving a modest surplus of about $38,000."

IV. Reports of Trustee Committees
A. Academic Policy

Dr. Kaysen reported that the Academic Policy Committee meeting had focused on the subject of recruitment. He said that Dean of Admissions Lee Stetson had recounted the University's "visible success in improving the quality of undergraduate classes" and spoken to the remaining problem of "attracting the very best students relative to our competitors." Looking at the top 6 percent of the national pool, as opposed to the top 2 percent, the chairman explained, "Penn has done well -- not well enough to be content but well enough to be encouraged." He noted that Mr. Stetson also had reported on the University's ongoing efforts to recruit minority students. "The current downward fluctuation in the recruitment of blacks is not an indication of a slackening of effort," Dr. Kaysen said, "but a problem common to other Ivy institutions, and Penn is working on it."

The chairman then observed that a second area of committee concentration, graduate recruitment, was one where "less has been accomplished than in undergraduate admissions." He noted that members had focused on the University's various Ph.D. programs where "there is a complex interaction between quality of faculty, quality of students, and resources available to support students." He pointed out that some programs attract as few as 20 applicants and choose four or five whereas others may attract 250 applicants and successfully recruit 30 or 40 or even 50 students. "The bottom line," Dr. Kaysen declared, "is that we need more resources to support graduate students in order to recruit the quality of graduate students that we need to improve the quality of the faculty. As always when we hear from Dean Michael Aiken," he concluded, "the committee was warned and encouraged."
B. Budget and Finance

Mr. Fox introduced four resolutions, which he noted had been discussed and approved by the Budget and Finance Committee.

1. Action. A Resolution on Consent to Wistar Institute's Transfer of All or Part of the Wistar Museum Collection was approved as follows:

Intention:

The Board of Managers of The Wistar Institute wishes to effect the transfer from the Institute of all or a part of the Wistar Museum collections, for curation and exhibition at another appropriate location, preferably at the Mutter Museum of the College of Physicians of Philadelphia, on permanent loan. Such removal of the Museum collections would constitute a deviation from the terms of the Institute's Trust instruments and thus would require approval of the Orphans' Court Division of the Philadelphia Court of Common Pleas.

The Institute's legal counsel has recommended that prior to seeking Court approval, the consent of all interested parties, including the Trustees of the University of Pennsylvania, be obtained for the proposed deviation.

RESOLVED, that the Trustees of the University of Pennsylvania grant permission to The Wistar Institute to effect the transfer of its Museum collections as described above;

FURTHER RESOLVED, that the proper officer of the Trustees of the University of Pennsylvania is hereby authorized and directed to execute the attached Release and Disclaimer and to do all things necessary or desirable to implement this resolution.

Release and Disclaimer

The Trustees of the University of Pennsylvania ("University"), intending to be legally bound hereby and subject to the conditions described below, does hereby completely remise, release, quitclaim, and forever disclaim all right, title, and interest to the contents of the Wistar and Horner Museum, which it may have, presently or in the future, under the following documents: Indenture of Agreement, dated March 8, 1892, by and between Isaac J. Wistar and the Trustees of the University of Pennsylvania; Settlement of the Trust, dated September 1, 1893, by and between Isaac J. Wistar, The Trust Company of North America, the University of Pennsylvania, and The Wistar Institute of Anatomy.

The purpose of this release and disclaimer is to permit the Institute to make arrangements for the permanent loan and transfer of the contents of the Wistar and Horner Museum to the Mutter Museum of the College of Physicians of Philadelphia or to another museum in Pennsylvania, New Jersey, or Delaware that currently maintains exhibitions of anatomical and pathological specimens of value in the history of medical science. The undersigned hereby consents to such a transfer.

This release and disclaimer is irrevocable and will remain effective unless one of the following events occurs: (1) the Institute is unable to make satisfactory arrangements to transfer the specimens to a museum as described in the preceding paragraph; (2) the Institute is unable to obtain a consent to the transfer by all other parties in interest; or (3) the Institute is unable to obtain the consent of the Orphans' Court Division of the Philadelphia Court of Common Pleas to the reformation of the above-cited documents to permit such transfer on terms which the Institute and the University, in their discretion, deem to be satisfactory.

The undersigned agrees that this release and disclaimer shall be construed and interpreted in accordance with the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the undersigned has authorized its duly elected officer to execute this release and disclaimer and to affix its corporate seal this day of , 1986.

(SEAL) THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA

Attest: By: Helen B. O'Bannon
Senior Vice President
2. **Action.** A Resolution on the Renovation of Space in the Medical Laboratories Building was approved as follows:

The School of Medicine proposes to renovate approximately 1300 gross square feet of storage and unused space in the basement of the Medical Laboratories Building into laboratory, faculty and technical office and research work space. It is estimated that the entire project will cost $616,000. The space, when renovated, will be assigned to Dr. Christian J. Lambertson, Professor of Environmental Medicine and former Director of the Institute of Environmental Medicine. This project will be funded by the School of Medicine from its educational and development funds; and, when completed, will recapture unused space for research. The administration supports the project. (This project was included in the 1987 Capital Budget.)

RESOLVED, that the renovation of approximately 1300 gross square feet in the basement of the Medical Laboratories Building, estimated to cost $616,000, be and the same hereby is authorized and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to incur such expenses and obligations - not, however, substantially in excess of the estimated cost of renovation as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such renovation.

3. **Action.** A Resolution on the Acquisition of a Parcel of Land at 4111-23 Chestnut Street, Philadelphia, Pennsylvania was approved as follows:

The administration has been advised by general counsel that the Pennsylvania Corporation Not-For-Profit Code may be interpreted as requiring specific authorization from the Trustees with respect to purchasing real property.

The administration intends to purchase a parcel of vacant land at 4111-23 Chestnut Street, Philadelphia, Pennsylvania. The land, currently occupied by a used car dealer, is on the north side of Chestnut Street and consists of 21,000 square feet. The parcel is zoned C4 and will cost $140,000 to purchase.

The administration intends to use the parcel for parking and funds from Parking Reserves will be used for the purchase.

RESOLVED, that the purchase of a parcel of land at 4111-23 Chestnut Street, Philadelphia, Pennsylvania, at a cost of $140,000, be and the same hereby is approved, and that the Treasurer or other appropriate officers of the University be and they hereby are authorized to execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of purchase as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such purchase.

4. **Action.** A Resolution on Refinancing Outstanding Indebtedness was approved as follows:

Intention:

RESOLVED.
In 1978, the Hospitals Authority of Philadelphia issued on behalf of the University: $40,200,000, Hospital Revenue Bonds, Series of 1978, (The Hospital of the University of Pennsylvania), (the "1978 Bonds") to refund $34,000,000 in outstanding debt issued in 1975 to construct the Silverstein Pavilion, and also to finance a portion of the costs of additional improvements as part of the Long Range Plan of the Hospital of the University of Pennsylvania. These bonds have a true interest cost of 6.1 percent.

In 1984, The Hospitals and Higher Education Facilities Authority of Philadelphia issued on behalf of the University: $106,830,000, Hospital Revenue Bonds, Series 1984, (The Hospital of the University of Pennsylvania), (the "1984 Bonds") for the purpose of financing construction and renovations which were part of Phase IV of the Hospital's Long Range Plan. These bonds have a true interest cost of 9.7 percent.

In 1985, the Pennsylvania Higher Education Facilities Authority issued on behalf of the University: $80,000,000 Revenue Bonds Series A of 1985, (the "1985 Series A Bonds") for the purpose of financing the renovation of certain existing dormitories; the rehabilitation of Franklin Field and Hayden Hall; the construction of a Biology Department research building, a School of Medicine clinical science research building, and the Wharton Executive Education Center; and costs associated with a University-wide data network. These bonds have a true interest cost of 9.1 percent.

In 1985, the Pennsylvania Higher Education Facilities Authority issued on behalf of the University: $16,275,000 Revenue Bonds Series B of 1985, (the "1985 Series B Bonds") for the purpose of financing certain equipment purchases by the Hospital of the University of Pennsylvania. These bonds have a true interest cost of 6.3 percent and mature on June 1, 1988.

The Administration has been reviewing this outstanding indebtedness in light of recent changes in interest rates and market conditions and has determined that it may be financially advantageous to refinance all or a portion of this debt. The 1978 Bonds have a relatively low finance rate. However, since the 1984 Bonds were issued at "parity" with the 1978 Bonds under the 1978 Bond Indenture, certain refinancing techniques may require that the 1978 Bonds be refinanced along with the 1984 Bonds to maximize financial benefits.

The 1985 Series B Bonds are presently callable. If these Bonds are called and a private placement made to the maturity date on the Bonds, June 1, 1988, or such other date as may be determined by the Administration, it is believed that debt service savings or other financial advantages would inure to the University.

The Tax Reform Act of 1986 (H.R. 3838) imposes a volume cap of $150,000,000 on non-Hospital, tax-exempt bonds issued by 501 (c)(3) organizations. Presently there are outstanding $162,000,000 non-Hospital, University-related, tax-exempt bonds. The Administration understands, subject to opinions of Counsel, under the provisions of the Act: (i) the 1978 Bonds, 1984 Bonds, and 1985 Series B Bonds will be considered qualified hospital bonds and may be refinanced without regard to the $150,000,000 cap for 501 (c)(3) organizations; and (ii) the 1985 Series A Bonds may be refinanced without regard to the $150,000,000 cap due to a special transition rule granted to the University and a general transition rule granted to all 501 (c)(3) organizations.
The Administration requests authorization from the Trustees to make application to the Pennsylvania Higher Education Facilities Authority (PHEFA), The Hospitals and Higher Education Facilities Authority of Philadelphia, or such other tax-exempt financing authorities as the Administration may select, to issue and sell, for the benefit of the University, tax-exempt bonds (the "1986 Bonds") to be issued in one or more issues or series, the proceeds of which it is intended will be used, to refinance the debt described above.

In view of the possible need on short notice of approval at the Trustee level of the substantive terms of the 1986 Bonds and of the documents relating to their issuance and sale, the Administration suggests the appointment of a special Ad Hoc Committee with power to act for the Trustees on these matters.

RESOLVED, that the Trustees of the University of Pennsylvania approve of the refinancing through current or advance refunding, of all or a portion of: The 1978 Bonds; 1984 Bonds; 1985 Series A Bonds, and 1985 Series B Bonds, if such may be legally accomplished and in the financial interests of the University.

FURTHER RESOLVED, that the Vice President for Finance be, and hereby is, authorized to make application on behalf of the University to the Pennsylvania Higher Education Facilities Authority (PHEFA), The Hospitals and Higher Education Facilities Authority of Philadelphia or other governmental issuers, for the issuance of the 1986 Bonds and to pay such fees and expenses as may be required in connection with such application.

FURTHER RESOLVED, that the Vice President for Finance and other appropriate officers of the University be, and hereby are, authorized to negotiate and agree with such Authority and with investment bankers, which they may choose or agree upon in connection with the underwriting and sale of such Bonds, (i) concerning the terms and provisions of such Bonds and their underwriting and sale and (ii) concerning the form and substance of such indenture, mortgages, leases, payment agreements, security agreements, underwriting agreements, official statements, and other documents or instruments as may be necessary or advisable to effectuate the issuance and sale of the 1986 Bonds as above described, subject, however, to the further approval, confirmation, or other action of the Ad Hoc Committee hereinafter appointed.

FURTHER RESOLVED, that, pursuant to the Section 4.01 of the Statutes of the University, there is hereby created a 1986 Bond Ad Hoc Committee of the Trustees to consist of and be composed of Samuel H. Ballam, Jr., Robert A. Fox, Paul F. Miller, Jr., and John B. Neff, and there is hereby delegated to such Committee, to the extent necessary, the full power of the Trustees to act on behalf of the University with respect to matters referred to in the foregoing resolution.

SECRETARY
C. Development

Mr. Miller observed that he was humbled to succeed Reginald Jones, "under whose leadership the University went from $50 million in annual support to last year's truly amazing $87 million. I know that when he took over the chairmanship of this committee, Reg was concerned that we would experience a post-campaign letdown," Mr. Miller said, "but thanks to his great efforts, we did not go off the edge but in precisely the other direction. There is quite a challenge ahead for the group of hard-working people who have joined this committee." He went on to note that as of October 17, gifts and subscriptions totaled $32.8 million, which is 44 percent ahead of last year's record-breaking pace at the mid-October mark.

Mr. Miller noted that Penn's goal for FY'87 is $90 million, and with 25 percent of the year gone, the University had achieved 37 percent of its objective. "The numbers," he went on to observe, "do not yet reflect the impact from the tax reform legislation."

On the cash flow side, the chairman reported that receipts totaled $19.5 million or some 78 percent ahead of last year. Alumni support stands at about $1.7 million, and includes a $1.26-million gift from Mrs. Louise Kahn, the wife of the late Edmund Kahn (W'25), to establish an endowed chair in the School of Arts and Sciences in honor of her husband. Mr. Miller further noted that friends support, at $11 million, is twice what it was in October of 1985, primarily as the result of several large bequests that have been received for the School of Veterinary Medicine and the School of Medicine. Gifts from corporations stand at $12.4 million, which is almost half of what Penn received in all of the last fiscal year, when corporate giving totaled a record $26 million. "Three gifts in particular should be noted," Mr. Miller said: $2.5 million from AT&T for a research program in telecommunications; $2 million from IBM for research in materials science; and $1.7 million from Hewlett Packard, which was part of a $8.3-million package of computer equipment for the Engineering School.

The chairman also reported that foundation support, which stands at $4.1 million, is a little bit below last year's October total, but he attributed that statistic to timing, as foundations are currently considering a number of Penn proposals. Among the more significant foundation gifts the University has received this year are: $1.25 million from the James J. McDonnell Foundation for nuclear magnetic resonance research; $450,000 from the Andrew Mellon Foundation to support the Center for Soviet and Eastern European Studies; and $411,000 from the John M. Olin Foundation for the Institute of Law and Economics in the Law School.
Mr. Miller went on to say that Penn's "deans and administrators have a long list of development assignments for the 1986-87 academic year." He added that "there is a special advantage in the next several months for individual trustees to do something for Penn before the top tax bracket begins to drop dramatically." He noted that primary donors will receive a mailing, which will point out some of these advantages in giving before the changes in the tax law become effective. The President's Council, Mr. Miller said, urged the University to be "very aggressive in trying to take advantage of tax reform legislation. Everybody else is going to be," he noted, "and if we're not we may be left at the post."

D. External Affairs

In the absence of Mr. Lauder, Mr. Wolf reported that the chairman had reviewed the mission of the External Affairs Committee with its members. He further noted that Mr. Lauder had appointed subcommittees, which would focus on alumni affairs, government relations, public relations and internal communications, and recruitment, and suggested that subcommittee members communicate with each other before the next meeting of the full External Affairs Committee.

E. Facilities and Campus Planning

Mr. Arader reported that the Facilities and Campus Planning Committee had devoted its entire meeting to a discussion of the benefits and risks attendant upon the development of a retail commercial center on the campus. "The trustees," he said, "offered a wide range of suggestions and caveats to the administration," including the following: 1) any commercial retail development undertaken by the University must be done in a first-class manner, with particular attention given to providing a co-op facility as well as encouraging those shops that would improve the ambiance of the campus; 2) the retail development plan must be part of and complement the overall long-range physical development plan for the University, which must consider parking, housing, safety, recreation, as well as commercial enhancement; and 3) the commercial retail facility, which is now under development at 34th and Walnut Streets, should be closely monitored as to its success in terms of fulfilling need and providing profit to the University.

F. Student Life

Dr. Chisum reported that the Student Life Committee had heard two reports with significance for the University's long-range plans. "The first," she said, "was on the implications of the new tax legislation for student finances." Salient points are that stipends for undergraduates in excess of tuition and graduate fellowships will be taxed along with
graduate research and teaching assistantships. "It was the sense of the committee," Dr. Chisum noted, "that the University should do what it could to reverse this legislation and, of more immediate importance, do what it can to ameliorate the effects on graduate students."

The chairman went on to say that the committee had also heard a report on the Student Health Service, which was followed by "a vigorous discussion" about what the Undergraduate Assembly felt was "a failure of communication between the health service and students." She observed that Mrs. Wexler had pointed out that the University had an obligation to teach students about the importance of priority setting in life. There was a consensus, the chairman said, that internal communications was a topic that could be "usefully addressed by the External Affairs Committee or, perhaps, by both committees in a joint discussion."

B. Medical Center Board

Mr. Ballam reported that the Medical Board had had four meetings since the last meeting of the Trustees. He said that for the first two months of the fiscal year, there was an excess of income over expenses of about $3 million. "Earnings look okay for FY'87," he noted, "but the board continues to be concerned about the future." He observed that "great progress" had been made in the malpractice area. Turning to equipment and services, he reported that: the Hospital installed its second magnetic resonance imaging device in a satellite facility in Devon, Pennsylvania that the lithotrypter for treating kidney stones has been very successful and that HUP was exploring the purchase of a gallbladder lithotrypter. He noted that the Hospital's application to be designated as a level-one trauma center had been turned down by a special selection committee that chose 12 centers, including nine hospitals affiliated with members of the selection committee. But he also said that there was still hope that HUP might win level-one designation. He observed that the Hospital had received approval for liver and pancreas transplant programs, adding that it was one of the leading centers for kidney transplants in the country.

The chairman further reported that the Medical Center had entered into a contract with U.S. Health Care to be the HMO's tertiary hospital for patients diagnosed as having breast and colon cancer. He said discussion of a linkage also was underway with Prudential. He noted that the Center was working on a cost containment program with the goal of getting operating costs down by about $10 million a year. He said that since the June meeting of the trustees, HUP had settled a labor contract with the operating engineers union. He further reported that last spring's Antique Show had earned $225,000 for the Center,
and he noted that scenes from an episode of the television show, St. Elsewhere, had been filmed in the Hospital and the School of Medicine. "The Phase IV project is moving along on schedule," the chairman said, "and the dedication is scheduled for March 27th." He observed that the first patients will probably move into the building next summer. He also noted that the Hospital was utilizing two additional floors in the Hilton Hotel. He said a new development director had been appointed for the Medical Center, and that the committee in charge of the search for an executive director of HUP was making excellent progress. In conclusion, he observed that the present Trustee Board of the Medical Center was working with Dean Stemmler on restructuring the

1. Action. A Resolution on the Creation of an Advisory Board For the University of Pennsylvania Cancer Center was approved as follows:

Intention:

The University of Pennsylvania Cancer Center, which was established in 1973, is one of only 22 comprehensive cancer centers in the United States. Its activities span patient care, clinical and basic research, and the education of health care professionals. The Center uses a broad interdisciplinary approach, combining the talents of 128 scientists and clinicians from 18 departments within the School of Medicine, the School of Nursing, the School of Dental Medicine, the Wharton School, and the School of Arts and Sciences. Federal research support for the Center has grown from approximately $1 million to more than $11 million. The Center recently received a $2.5 million matching grant for construction from the National Cancer Institute. Physicians associated with the Center are engaged in pioneering interdisciplinary programs in clinical cancer research and patient care. The major patient care facility is the Hospital of the University of Pennsylvania, where it is estimated that some 2,500 new patients will be treated this year. Additional patients will be treated at the Philadelphia Veterans Administration Medical Center. The teaching programs now include medical student education, resident training, the education of nurses and other health professionals, special education programs for the physicians in the community, and post-doctoral training for scientists from all over the world in the laboratories and clinical facilities of the Center.

The Medical Center requests that the Trustees authorize creation of an Advisory Board, comprised of friends of the Center, to assist in the development of support necessary to assure the Cancer Center's success and that they accord members of the Advisory Board the status of Associate Trustee in recognition of their support and involvement.

RESOLVED, that the Trustees of the University of Pennsylvania authorize the creation of an Advisory Board of the University of Pennsylvania Cancer Center; and

FURTHER RESOLVED, that members of the Advisory Board shall be designated Associate Trustees of the University of Pennsylvania.
P. Action. A Resolution on the Creation of an Advisory Board for the
David Mahoney Institute of Neurological Sciences was approved as
follows:

Intention:

The current explosion of information about the brain has focused
national attention on the neurosciences and has changed dramatically
the field's scope and importance. Penn has consolidated its position of
prominence in the neurosciences through the work of its Institute of
Neurological Sciences, which was founded in 1953, under the leadership
of Louis Flexner, and obtained the first training grant ever awarded by
the National Institutes of Health. An interdisciplinary approach to the
neurosciences has been the hallmark of the Institute throughout its
history. Presently, it is comprised of 82 faculty members, distributed
among 16 clinical and basic science departments. It counts among that
teaching nine members of the National Academy of Sciences. The breadth
of Institute talent creates a unique environment for research and
training. During the past 30 years, it has produced a generation of
neurobiologists who have formed the nucleus of many of the neurobiology
programs in universities around the country. Surveys conducted by the
National Research Council and by the National Academy of Sciences cite
the University as one of our nation's "centers of excellence" for
research and training in the neurosciences. The National Science
Foundation ranks Penn fourth among 75 universities in the United
States for overall quality and productivity of its work in the field.

In 1985 the Institute of Neurological Sciences was renamed the
David Mahoney Institute of Neurological Sciences in recognition of the
generous support and interest of Penn alumnus and trustee David J.
Mahoney. The Medical Center now requests that the Trustees authorize
creation of an Advisory Board, comprised of friends of the Institute,
to assist in the development of support necessary to assure the
Institute's continued success and that they accord members of the
Advisory Board the status of Associate Trustee in recognition of their
support and involvement.

RESOLVED, that the Trustees of the University of Pennsylvania authorize
the creation of an Advisory Board of the David Mahoney Institute of
Neurological Sciences; and

FURTHER RESOLVED, that members of the Advisory Board shall be
designated Associate Trustees of the University of Pennsylvania.

H. Investment Board

Mr. Neff reported that the total market value of the Associated
Investment Fund (AIF) on 17 October was $478 million. He said it would
be more than half a billion with the addition of separately
administered assets. The chairman further noted that the Fund has used
five percentage points of its liquidity since June to take advantage
of opportunities in the marketplace. "In particular," he said, "we've
created an aluminum position of some noticeable magnitude, with ALCOA
being the biggest holding, and on the insurance side, where previously
we had taken some profits, we rebuilt our position back up to 8
percent of equities, with the principal holding being CIGNA."
Mr. Neff observed that the current yield on the common stock portion of the AIF has been relatively well-maintained despite an advancing marketplace, with a 5.6 percent-return now versus 5.1 percent at the end of 1979, 6.0 percent at the end of 1985, and 6.0 percent last June. "Performance continues decent--not spectacular, but steady," he said. "Equities are up some 4.5 percentage points better than the Standard and Poor 500 Stock Average since year-end, but it's not quite that good," he continued, "when you look at the whole portfolio, combining the equity and the fixed side. Income," he added, "is not too spirited, as we've reached the point where we aren't enhancing income with the difference between purchases and sales. Over the longer term, our total-return performance is better, and I'd say that the challenge over the near term, and perhaps even the intermediate term, may well be the maintenance of principal rather than further enhancement."

IV. Overseers and Other Boards

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

RESOLVED, that James J. Lynch and Barry L. Zoumas be appointed to the Board of Overseers of the School of Dental Medicine for three-year terms, effective 24 October 1986.

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

RESOLVED, that Herbert S. Adler be appointed to the Board of Overseers of the Graduate School of Fine Arts for a three-year term, effective 24 October 1986.

C. Action. A Resolution on Appointments to the Board of Overseers of the University Museum was approved as follows:

RESOLVED, that Joseph E. Lundy and Helen S. Weary be appointed to the Board of Overseers of the University Museum for three-year terms, effective 24 October 1986.

D. Action. A Resolution on an Appointment to the Athletic Advisory Board was approved as follows:

RESOLVED, that George A. Weiss be appointed to the Athletic Advisory Board for a three-year term, effective 24 October 1986.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University