A Stated Meeting of the Trustees was held on Friday, 30 October 1987, in Bodek Lounge of Houston Hall. Trustees attending included: Arlin M. Adams; Leonore Annenberg; Walter G. Arader; Marlene S. Arnold; David C. Auten; Samuel H. Ballam, Jr.; Gordon S. Bodek; Alan C. Bowser; Richard P. Brown, Jr.; I.W. Burnham; Howard Butcher, Ill.; Susan W. Catherwood; Henry M. Chance; Gloria T. Chisum; D. Michael Crow; Charles F. Dickey; F. Eugene Dixon, Jr.; G. Morris Dorrance, Jr.; Melvin J. Estrin; Robert A. Fox; C.F. Fratz; Bruce J. Graham; Sheldon Hackney; John G. Harkins; Stephen J. Heyman; A. Leon Higginbotham; Jon M. Huntsman; Leonard A. Lauder; Robert P. Levy; William T. Lockard; Margaret R. Mainwaring; Anthony S. Minis; John B. Neff; James A. Pappas; Ralph S. Saul; Alvin V. Shoemaker; Saul P. Steinberg; Michael L. Tarnopol; Frederick J. Warren; Jacqueline S. Wexler; Charles S. Wolf; and D. Robert Yarnall, Jr. Others present included: Michael Aiken; Edwin Andrews; Ann Bailey; Valerie Brown; Barbara Butterfly; Valerie Swain Cade; Sanjay Chheda; Richard Clelland; William Epstein; Karen Gaines; Susan Ganz; Shelley Z. Green; Michael Jaffe; Stanley Johnson; James Karpi; George Koval; Noam Lior; Robert G. Lornade; Mary Ann Meyers; Kim Morrison; Rick Nehm; Helen O'Bannon; Antonia Oberthaler; Virgil Renzulli; Frank A. Roth; Benjamin Shen; Edward J. Stemmier; Barbara Stevens; Glen A. Stine; Greg Stone; Francine Walker; and Marna Whittington.

I. Call to Order

Chairman Shoemaker called the meeting to order and an invocation was offered by Chaplain Johnson. The minutes of the 19 June 1987 meeting were approved as written by the secretary.

II. Report of the Chairman

A. Action. A Memorial Resolution for John A. Mayer was approved as follows:

A member of the Wharton Class of 1932 and recipient of an M.B.A. degree in 1933, John A. Mayer had a notable undergraduate career as manager of the baseball team and as a member of the crew, Sphinx Senior Society, Interfraternity Council, and the Editorial Board of the Daily Pennsylvanian. He graduated Phi Beta Kappa and was Spoon Man.

Starting his business career with, successively, the Penn Mutual Life Insurance Company and the Reliance Life Insurance Company, he joined the Mellon National Bank and Trust Company in 1951 as a vice president, became chief executive officer in 1963 and chairman of the board in 1967, and assumed those titles at the Mellon National Corporation and Mellon Bank N.A. in 1972. He retired as a director in 1978. A Navy commander in World War II, he was awarded the Legion of Merit.

His service to Penn was long and dedicated. General chairman of Annual Giving in 1947, he joined the Board of Business Education in 1949, becoming an associate trustee. He was elected a term trustee in 1955 and served continuously until 1970 when he became a life trustee, followed by emeritus status in 1979. An original member of the Board of Overseers of the Wharton School when it was organized in 1975, he lent his counsel to the Trustee Committees on Finance, Educational Policy, Government Relations, and University Development and chaired the Audit Committee.

RESOLVED, that the Trustees of the University of Pennsylvania adopt this memorial to our friend and colleague and direct that a copy be sent, with our deepest sympathy, to his family.

B. Action. A Memorial Resolution for Sarkes Tarzian was approved as follows:

Recipient of a B.S. degree in electrical engineering with honors from the Moore School in 1924 and an M.S. degree in 1927, Sarkes Tarzian was awarded an honorary Doctor of Laws degree by the Trustees in 1974. He was a member of the Sphinx Senior Society and the honorary engineering fraternities, Tau Beta Pi and Eta Kappa Nu.

Beginning his career in electrical engineering and electronic communications as chief product engineer for the Atwater-Kent Manufacturing Company, he became chief engineer for RCA, first in Argentina and then in Bloomington, Indiana. He founded his own manufacturing firm in Bloomington in 1944 to produce parts for the electronics industry. As a result of his designing and developing the now-universal rotary television channel selector, Sarkes Tarzian, Inc. became a major source of tuners for television receiver manufacturers. He owned and operated major radio and television stations in Indiana.

Maintaining a deep interest in engineering education at Penn, he joined the former Board of Engineering Education as an associate trustee in 1960 and went on to become an original member of the Board of Overseers for the School of Engineering and Applied Science when it was formed in 1975. Recognition was given to his distinguished professional career by the conferral of the D. Robert Yarnall Award of the Penn Engineering Alumni Society in 1969.

Elected an alumni trustee in 1963, he became a term trustee in 1960 and an emeritus trustee in 1971. He was a member of the Alumni Trustees' Committee, Development and Public Relations Committee, and Educational Policy Committee, and rendered invaluable service to the Electronic Communications Subcommittee as it worked successfully to regain the operating licence for WXPN-FM. Proud of his Armenian heritage, he endowed the Tarzian Professorship in Armenian History and Culture in the School of Arts and Sciences. We lost our fellow trustee on October 7, 1987.

RESOLVED, that the Trustees of the University of Pennsylvania adopt this memorial to our friend and colleague and direct that a copy be sent, with our deepest sympathy, to his family.

C. Action. A Resolution of Appreciation to Reginald H. Jones and the Designation of Mr. Jones as Trustee Emeritus was approved as follows:

Intention:

Reg Jones' place in the hearts of Pennsylvanians is as enduring as his place in the American business hall of fame. As an industrial leader, his impact has been felt far beyond General Electric, the corporation he headed as chairman and chief executive officer from 1972 until his retirement in 1981. As a member of the Class of 1939, his loyalty and devotion to his alma mater has enriched the University for half a century and will benefit students and faculty for generations to come.

Reg Jones will have served as a Penn trustee for 20 years in May. Elected a term trustee in 1968, he became a life trustee 10 years later. A member of the Board of Overseers of the Wharton School since 1973, he chaired that board from 1974 to 1987. The first chairman of the Board of Governors of the Lauder Institute, he has been a member since its inception in 1983. The Executive Committee of the Trustees drew upon his wisdom for five years. From its start in 1986 until 1987, the Long Range Planning Council enlisted his guidance as a master of strategic planning. He chaired the board's Major Gifts Task Force, the Resources Committee, and the Development Committee, and under his astute leadership, the Program for the Eighties generated a record-breaking $259 million in campaign contributions.

Reg Jones' influence on public policy through the Business
Roundtable, the Business Council, and the advisory groups on which he served at the request of three Presidents has been unique among business leaders of his generation. His vision, organizational talents, and mediation abilities also have helped to shape his alma mater during a period of rapid change and extraordinary advancement. In recognition of his contribution, Penn awarded Reg Jones, native of England and Knight Commander of British Empire, an honorary Doctor of Laws degree in 1980. The Wharton School presented him with its first Distinguished Service Medal in 1984, and, accepting the University's easily-argued case, the Council for the Advancement and Support of Education recognized him as one of the 10 outstanding volunteers of the year in 1985. He continues in that role to our lasting good fortune.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the administration, faculty, students, and alumni of the University, record their grateful appreciation to Reginald Harold Jones for his services, and

FURTHER RESOLVED, that they designate their colleague and friend, trustee emeritus.

D. Action. A Resolution of Appreciation to Ralph S. Saul was approved as follows:

A graduate of the University of Chicago and the Yale Law School, Ralph S. Saul has served with us for the past ten years as a term trustee. The Budget and Finance Committee, its Insurance Sub-Committee, and the Resources Committee have benefited greatly from his financial acumen during this period. He is a member of the President's Council and was a leader in the effort to win recognition of the School of Arts and Sciences' place at the academic core of the University as chairman of that school's Board of Overseers.

An official of the Securities and Exchange Commission and then president of the American Stock Exchange, he came to Philadelphia in 1975 to lead the INA Corporation as chairman and chief executive officer. When INA and Connecticut General Corporation joined to form the CIGNA Corporation, he became chairman of the new entity. He continues as a CIGNA director.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the administration, faculty, students, and alumni of the University, record their thanks to Ralph S. Saul for his service.

E. Action. A Resolution of Appreciation to William Thomas Lockard was approved as follows:

Earning his M.B.A. degree from the Wharton School in 1984, William T. Lockard has completed a three-year term as a recently graduated alumni trustee, elected by the alumni of the graduate/professional schools who graduated with him and those from the previous year's class. He came to Penn with a bachelor's degree from Stanford and a master's degree in public policy analysis from the Claremont Graduate School.

While a Wharton graduate student he was class representative to the Faculty Curriculum Committee, president of the Entrepreneurial Association, and a research assistant in the Reginald H. Jones Center for Management Policy, Strategy, and Organization. As a trustee he contributed able to the deliberations of the Academic Policy Committee and Budget and Finance Committee. An investment banker, he is an associate in public finance with the firm of Stone and Youngberg in San Francisco.

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 Chip Lockard their appreciation for his service.

F. Action. A Resolution on the Amendment of Rules Concerning Attendance of the Public at Meetings of the Trustees of the University of Pennsylvania was approved as follows:

Intention:
In September 1980, the University adopted Rules Concerning Attendance of the Public at Meetings of the Trustees. By virtue of the passage of the Act of July 3, 1986, Act No. 1986-84, it is now necessary to amend the rules to provide, among other things, that persons attending an open meeting shall have the right to use recording devices to record all the proceedings.

RESOLVED, that the September 1980 Rules Concerning Attendance of the Public at Meetings of the Trustees of the University of Pennsylvania be amended and restated in their entirety as follows:

Rules Concerning Attendance of the Public at Meetings of the Trustees of the University of Pennsylvania

1. Meetings to be Open. The regular stated meetings and the special meetings of the Trustees of the University of Pennsylvania, its Executive Committee, and its other committees or bodies are open to the public to the extent required by the Act of July 3, 1986, Act No. 1986-84. The three regularly stated meetings of the Trustees are normally in the fall, winter, and spring of each year. The Executive Committee meets more frequently and often conducts business requiring an open meeting. From time to time other committees or bodies also conduct business requiring open meetings. Announcements of these meetings will be published in accordance with the law.

2. Public Attendance to be Subject to Reasonable Numbers. The number of the members of the public permitted to attend any open meeting of the Trustees and the Executive Committee shall be limited to such number as can be reasonably accommodated in the room or hall where the meeting is held without interference with the conduct of the meeting. The determination of such number shall be made by the presiding officer of the meeting.

3. Public Attendance to be for Purpose of Observation. Members of the public shall be admitted to such meetings only for the purpose of observation. They shall not be permitted to participate in any way except to the extent they may be specifically invited to do so by the presiding officer. No member of the public attending an open meeting shall in any fashion interrupt, interfere with, obstruct, disturb, or disrupt the conduct of such meeting.

4. Recording Equipment and Displays. A person attending an open meeting shall have the right to use recording devices to record all the proceedings. However, no member of the public shall bring into the meeting room of any open meeting any photography equipment, or any sign, placard, poster, banner, or other visual display.

5. Enforcement. The presiding officer may take any action deemed necessary and appropriate to enforce the above.

III. Report of the President

A. Dr. Hackney observed that while issues of safety and security are always of concern to the campus community, they had dominated discussions following the stabbing of three undergraduates the previous weekend. He reported that the most seriously injured of the students was in stable and satisfactory condition, but he went on to note that the unfortunate incident served to remind the community that it must continue to focus on security matters.

The president outlined three steps that will be taken by the administration right away. They are: hiring additional security personnel for the 40th and Walnut Streets area, who will concentrate on the late night and early morning hours on Thursdays through Saturdays and will be connected by radio to the public safety department; seeking an end to the all-night hours of businesses that create an environment for crime;
encouraging businesses to hire guards where appropriate; working with the student body and the faculty on ideas to improve Penn's escort service, lighting on city streets, and reporting of incidents; and continuing to meet with the Philadelphia police to discuss actions they can take to improve safety off campus.

The president pointed out that the above initiatives are in addition to the steps the administration has taken as a result of an independent consultant's report earlier this year. He stressed the importance of the University's continuing to emphasize to students, faculty, and staff "that the best security is only as good as the caution and good judgment they exercise."

Turning to an article that appeared in a recent issue of U.S. News and World Report, Dr. Hackney noted that when the magazine asked University presidents to select America's top 25 undergraduate institutions of higher learning, Penn was ranked 19th. "Two years ago, we weren't ranked at all in the same, methodologically flawed, survey," he said, "but we all know that objective standards of ranking—by scholarship, research funds, or yield, for instance—show Penn considerably higher than 19th. Some word of the quality of the undergraduate experience at Penn is seeping out to that very resistant body, college presidents," he added.

The president further observed that in the magazine's ranking of graduate schools, Penn's Medical School and Wharton both were ranked third, the Law School was ranked tenth, and the Engineering School was ranked 20th, which, he said, was "far below its real level probably as the result of visibility and public relations. But most impressive," he continued, "was the fact that Penn was the only school in the country besides Stanford to have its graduate schools placed in the top 20 in all four categories."

"These results," he said, "confirm our belief that the University is unsurpassed in the consistency of its strength across a wide variety of fields, and they also strengthen our commitment to the strategy we have been following, that is to build on our traditional strengths in the professional schools, emphasize our undergraduate experience, and to invest heavily in the arts and sciences. On the other hand," he added, "perhaps the U.S. News and World Report survey provides an answer to a question I posed in an article in The Almanac this week: What do University presidents know, anyway?"

The president went on to call the Trustees' attention to the University's Annual Report. It contains an essay by Dr. Hackney interpreting the history of U.S. higher education since World War II, analyzing current challenges, and predicting the challenges of the 1990s. He pointed out to the Trustees that among the challenges of the next decade for Penn will be how to stay in the academic forefront as the cost of doing so goes up significantly.

B. Academic Report

Dr. Aiken commented that he was delighted to have joined in the Stated Meeting in his capacity as provost and looked forward to many years of working with the Trustees. He proceeded to brief the board on several
issues within his area of responsibility.

The provost reported that six major academic administrative searches are in progress. The searches for a new dean of the Annenberg School and for the director of the Library are well underway, he noted, and the president and he have just finished putting together committees to identify new deans for the School of Arts and Sciences and the Medical School and for a vice provost for University Life. Dr. Aiken said that within the next few weeks the administration hoped to have in place a search committee for a new dean of the Dental School.

He went on to observe that one of the areas that he has been particularly concerned about is undergraduate education and that he has established a new mechanism to focus on undergraduate education across the schools. It will be a "forum for coordination and innovation," the provost said. Called the Provost Council on Undergraduate Education, the group is composed of the deans and associate deans of the four undergraduate schools together with the vice provost for University Life.

Turning to the subject of graduate education, Dr. Aiken said that one of the great privileges he had enjoyed over the last two months had been visiting Penn's 12 schools and speaking with the deans and their staffs about their graduate education programs. He commented that the rankings four of them had attained in the U.S. News and World Report survey were reflective of "the great quality" he had seen in his visits. "We have superb graduate and professional programs and we intend to support them," the provost said.

He went on to mention that one of the most important areas upon which the administration would focus over the next several years was the area of faculty development. Citing the importance of the Trustee Professorships to this effort, he reported that the guidelines for the program's implementation had been disseminated to the deans. Three applications for Trustee Professorships already have been approved, he noted, adding that he was hopeful that a total of 15 would be approved this year and that at least eight occupants of the chairs would be on board by next fall.

Turning to personnel matters, the provost called the attention of the Trustees to three tenured appointments: the appointment of David J. Farber, an internationally-known authority in the areas of telecommunications, computers, and networks, as professor of computer and information science in the standing faculty of the School of Engineering and Applied Science; the promotion of Gary L. Francione, a 1981 graduate of the University of Virginia Law School who clerked for U.S. Court of Appeals Judge Albert Tate and Justice Sandra Day O'Connor and now specializes in the fields of copyright and constitutional law, to associate professor of law in the Law School; and the change in the status of the appointment of Michael T. Mennuti, a graduate of Georgetown University Medical School, from a non-tenured clinician educator to a professor of obstetrics and gynecology in the School of Medicine.

2. A Resolution on Appointments, Leaves, and Promotions was approved as found on pages 1 through 20 in the meeting book.

C. Financial Report
Mrs. O'Bannon commented on her pleasure at the appointments of Barbara Butterfield as vice president for human resources, Arthur Gravina as vice president for facilities management, Frank Claus as associate vice president for finance, Scott Lederman as treasurer, and Ken Hoffman as director of risk management and insurance. She reported that over the summer renovations in the Quad had been finished on time and on budget. She also noted that during the summer months some 1,500 Penn employees had attended a fair to learn about University services. Mrs. O'Bannon noted that her staff had been working on the PGH development project and the acquisition through lease of the DuPont land along the Schuykill. She observed that the University had been more successful than usual in Harrisburg. "In the last waning hours of budget negotiations," she said, "the Commonwealth appropriated an additional $800,000 to Penn for its program in cognitive sciences."

Mrs. O'Bannon called the Trustees' attention to Vice President Whittington's statement and the financial report contained in the Annual Report. "We finished the year with a surplus of $14 million," she said, noting that there was an excess of revenues over expenses of $104,000 in unrestricted education and general monies and $14.5 million in the Clinical Practices (CPUP), which is CPUP's best ever performance. There was a small deficit in Hospital operations through consolidation and application of University accounting principals. "Our fund balances last year increased $188 million to more than $1.3 billion," Mrs. O'Bannon pointed out. "Our revenues increased 6.9 percent to $941 million. Additionally, despite federal constraints, grants and contract awards increased 6.0 percent. The final toting for FY'87," she observed, "shows again a very strong financial performance."

Mrs. O'Bannon went on to say that for FY'88, the administration was projecting a $75,000 surplus in the unrestricted monies of the University. She noted that two problem areas had been identified: the School of Veterinary Medicine and the Annenberg Center. "We will continue to monitor these throughout the year," the senior vice president concluded, "in an effort to reduce the problem and manage the enterprise."

IV. Reports of Trustee Committees
A. Academic Policy

Judge Adams, who chaired the meeting of the Academic Policy Committee in the absence of Carl Kaysen, reported that committee members had heard Provost Aiken and the deans or associate deans of Penn's four undergraduate schools describe the undergraduate education programs in Arts and Sciences, Engineering, Nursing, and Wharton. "My impression is that now, more than ever before, they all are emphasizing the importance of communications and, in particular, writing skills," Judge Adams said. "They have made an effort to reduce what students refer to as 'snap courses' as well as pass/fail courses, and they have made an effort to increase proficiency in language courses." He further noted that the schools had attempted to make liberal arts courses available to students who are specializing in business, engineering and nursing. "In my view,"
he concluded, "these trends are for the good."

B. Audit Committee

Mr. Dorrance reported that at its most recent meeting, the Audit Committee had reviewed a draft version of the audited consolidated financial statements, which appear in the Annual Report. He said members had held an executive session with the University’s outside auditor, Coopers and Lybrand, and had met with Penn’s senior management to examine the internal audit program. "A great deal of attention is being paid by the administration to the development of internal audit procedures," he observed, "and the committee is very comfortable with the outside audit and with the financial report as presented to the community."

C. Budget and Finance

Before calling upon the chairman of the Budget and Finance Committee, Mr. Shoemaker noted that the Executive Committee would vote on the resolutions, which Mr. Fox would introduce, and which would be recorded in the minutes as action of the Executive Committee.

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

1. Action. A Resolution on the Installation of a Cyclotron Transportation System for the School of Medicine was approved as follows:

Intention:

With the completion of the new cyclotron facility located under the Blockley Hall parking lot, the School of Medicine is preparing to install a cyclotron transportation system that will deliver short-lived radioactive materials to the clinical PET scanner facility, located on the third floor of the Silversstein Pavilion, and to the Cerebrovascular Research Center on the fourth floor of the Johnson Pavilion.

The project is estimated to cost $458,500 and is to be funded by the Educational and Development Fund of the School of Medicine. It was included in the Fiscal Year 1987 Capital Budget. The administration requests approval to proceed with the project in November 1987.

RESOLVED, that the installation of a cyclotron transportation system, estimated to cost $458,500, be and the same hereby is approved and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such installation and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such installation presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such installation.

2. Action. A Resolution on the Renovation of Laboratory Space in the John Morgan Building for the Department of Human Genetics, School of Medicine was approved as follows:

Intention:

The School of Medicine proposes to upgrade 1,591 gross square feet of existing medical research laboratory space in the John Morgan Building for a new assistant professor recruited for the Department of Human Genetics. The renovation is part of the commitment the Medical School made to Dr. Roy Schmickel, chairman of the Department of Human Genetics. It will contribute to the University's stature as a leading research institution.

The project is estimated to cost $331,000 and is to be funded by the Educational and Development Fund of the School of Medicine. It was included in the Capital Budget for Fiscal Year 1987. The administration requests to proceed with the construction of the project in November 1987.
RESOLVED, that the renovation of laboratory space in the John Morgan Building, for the Department of Human Genetics, estimated to cost $331,000, be and the same hereby is approved and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such renovation and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such renovation 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 Sale of Time Share Units in White Sands of Longboat Condominium, Longboat Key, Florida was approved as follows:

Intention:

The University received six time share units in the White Sands of Longboat Condominium as a gift on December 29, 1985. The administration now proposes to sell these time share units to Merves & Lowenthal, a Pennsylvania general partnership, for a total purchase of $6,000.

RESOLVED, that the trustees of the University of Pennsylvania hereby approve the sale and conveyance of the said time share units to Merves & Lowenthal for a total purchase price of $6,000, and hereby direct and authorize the Treasurer or other appropriate officers of the University to proceed with the execution and delivery of the deed and all necessary affidavits and other documents required in connection with such sale and conveyance, and hereby further approve, confirm, and ratify all other actions taken by such officers or their designees in connection with or which are necessary or convenient to the accomplishment of such sale and conveyance.

4. Action. A Resolution Authorizing the Sale of Five Single-Family Houses Acquired as a Part of the University’s Agreement with the American College of Physicians was approved as follows:

Intention:

On 19 June 1987, the Trustees authorized the University to purchase five residential properties on the 4200 block on Pine and Osage streets from the American College of Physicians (ACP), for a total cost of $400,000 as part of an agreement to purchase the ACP headquarters property at 4200 Pine Street. Settlement will occur in the near future.

Having investigated possible University uses for these properties and considered neighborhood wishes that the University sell the properties to single-family homeowners, the administration proposes to sell all five houses for a combined sale price of not less than $475,000, after completing appraisals, setting firm prices for each property, and cleaning the properties to insure that they achieve the greatest market value. It further proposes to offer the houses to members of the University community prior to listing them publicly.

RESOLVED, that the Trustees of the University of Pennsylvania hereby approve the sale and conveyance of five residential properties, located at 4213 and 4219 Usage Avenue and 4216, 4218, and 4220 Pine Street, for a sale price of not less than $475,000.

FURTHER RESOLVED, that the Trustees of the University of Pennsylvania hereby approve, confirm, and ratify all actions taken in connection with such sales in the acceptance of the purchase price and hereby direct and authorize the Treasurer or other appropriate officers of the University to proceed with the execution and delivery of the deeds; affidavits; and other documents required in connection with such sales and conveyances, and all other actions taken by such officers or their designees necessary or convenient to the accomplishment of such sales and conveyances of such properties.

FURTHER RESOLVED, that the Trustees of the University of Pennsylvania hereby instruct, direct, and authorize the appropriate officers of the University to proceed with an initial offering of the properties to
March 21, 1987

In the House of Representatives of the Commonwealth of Pennsylvania, assembled, the members present, having concurred in the Senate amendments to Senate Bill No. 796, as follows:

An Act of the 1987 Pennsylvania Legislative Session.

The Senate Amendments:

The Senate, having received the foregoing bill, the House amendments thereto, and the concurrence of the House thereof, do concur in the Senate amendments, with a further amendment consisting of the following:

An act, entitled: 'An act providing for the payments of state and local share of costs in accordance with the act of October 23, 1986, P.L. 934, No. 205, relative to the sale of the Ware Farm Property in North Carolina,' approved December 6, 1986.

Be it enacted by the General Assembly of the Commonwealth of Pennsylvania as follows:

1. Intention:

The General Assembly finds that, due to programmatic changes, weather conditions, and construction delays, the sale and conveyance of the Ware Farm property will not take place on or about the date previously identified. The General Assembly also finds that the sale and conveyance of the Ware Farm property, as previously identified, will not result in the achievement of the purposes and objectives for which funds were appropriated. The General Assembly therefore hereby finds that the sale and conveyance of the Ware Farm property, as previously identified, is no longer in the public interest.

2. Action:

An Amendment to the Resolution of 21 June 1985 on the Sale of the Ware Farm Property in North Carolina was approved as follows:

Intention:

The University was given a farm of approximately 369 acres in McDowell County, North Carolina in late 1980 by Mr. and Mrs. Willard Ware. Any benefit the University would realize from the property was to be used to support new facilities for diabetes research programs in the School of Medicine. Pending its sale, the farm has been leased in two separate parcels to local tenants who pay minimal rent and provide minimal care.

On 21 June 1985, the Trustees authorized the Director of Real Estate or other appropriate University officers to proceed with efforts to sell the Ware Farm for a price at or above the then fair market appraisal of $350,000. During the past several years, however, farm land prices have been severely depressed, and no prospective buyer has been willing to purchase the Ware Farm at or near the appraised price. Further, the farmhouse and barn buildings continue to deteriorate and will require progressively more maintenance than the tenants are prepared to undertake.

The University has now received an all-cash offer of $225,000. Based on a review of the offer, and conferring with the appropriate officials in the School of Medicine, the Department of Real Estate now proposes to sell all of the Ware Farm Property for the offered purchase price of $225,000.

RESOLVED, that the Trustees of the University of Pennsylvania hereby approve the sale and conveyance of the Ware Farm property for a purchase price of $225,000, approve, confirm, and ratify all actions taken in connection with such sale and the acceptance of the purchase price, and direct and authorize the Treasurer or other appropriate officers of the University to proceed with the execution and delivery of the deed, all necessary affidavits and other documents required in connection with such sale and conveyance, and all other actions taken by such officers or their designees necessary or convenient to the accomplishment of said sale and conveyance of such property.

3. Action. A Resolution on 3401 Walnut Street was approved as follows:

Intention:

On January 17, 1986, the Trustees approved the construction at 34th and Walnut Streets of a building known as 3401 Walnut Street, which was estimated to cost $20.0 million. At the same time, the Trustees approved the establishment of a pooled income fund -- the Walnut West Pooled Income Fund -- which, in partnership with University City Associates, Inc., will own the building. This partnership is called the Walnut West Associates.

Due to programmatic changes, weather conditions and supply problems, construction has been delayed and project costs are now estimated at $21.5 million. The increase in cost is under 10% and, under a long standing agreement between the Trustees and the administration, need not be brought back to the Trustees for further action. However, since the Walnut West Pooled Income Fund must file a Supplement to the Disclosure Document dated October 23, 1986, the Trustees must be approved by the Pennsylvania Securities Commission, Drinker Biddle & Reath, University's counsel on the project, has advised the administration to obtain a formal Trustee resolution approving the increased cost.

Counsel also has advised the administration to obtain a Trustee resolution specifically approving the University's Space Lease for office space in 3401 Walnut Street. The University will lease approximately 114,000 rentable square feet in 3401 Walnut Street pursuant to a five-year lease, renewable for five additional three-year periods, for an annual rent plus...
certain operating expenses. The annual rent payable by the University will be $21.00 per square feet during the first five years of the Lease. During the first three-year renewable period, the annual rent payable by the University will be $21.50 per square foot. Thereafter, the annual rent will be increased every three years at the rate of 3% compounded annually. It is anticipated that the University Space Lease will be amended to provide, among other things, that the University will pay certain tenant fix-up and/or other costs.

RESOLVED, that the estimated cost of $21.5 million for the building known as 3401 Walnut be and the same hereby is approved and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with, amend and assign to the Partnership such contracts and incur such expenses and obligations - not, however, in excess of the estimated amount of $21.5 million presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable in connection with 3401 Walnut and the Walnut West Pooled Income Fund.

FURTHER RESOLVED, that the University Space Lease be and the same hereby is ratified and approved and action of the Treasurer executing such University Space Lease hereby is ratified and approved, and that the Vice President for Finance, or other appropriate officers of the University be and they hereby are authorized to amend such lease as may in their judgment be necessary or desirable.

D. Development Report

Mr. Steinberg reported that by almost any measure, FY’87 was a “banner year” for Penn development. Gifts and pledges exceeded $90 million for the first time, and the subscriptions total of $92.7 million was 7 percent above the FY’86 record of $86.7 million. The chairman of the Development Committee mentioned the following FY’87 highlights:

--a 20.5 percent increase in gifts from individuals, the largest one-year jump ever;
--a 14 percent increase in annual giving to $14 million;
--a record-breaking $3 million 25th-reunion gift from the Class of 1962;
--a new record in dollars and donors to the Benjamin Franklin Society, bringing total BFS support over two years up 47 percent; and
--a record $16.1 million in planned gifts, more than triple the level of just two years ago.

Mr. Steinberg observed that this year the University’s overall fund-raising goal is $100 million. “To date we have received subscriptions totaling $38.6 million, which is 47 percent ahead of last year,” he said. “Leading the way are gifts from alumni, up almost 500 percent from last year to $8.4 million.”

He went on to note that while the Trustees, President Hackney, Provost Aiken, the deans, the President’s Council volunteers, and the development staff are stepping up the pace of fund-raising to ensure that this year’s goal is achieved, they are also intensively engaged in preparing for the campaign. “Through a broad-scale market study and expanded cultivation, we are beginning to focus more clearly on objectives most critical to Penn’s future” he said, “and are assessing our capacity to attract substantially increased gift support.” The Development Committee chairman pointed out that future development plans will be discussed in much more detail at the board meetings in January and June.
E. External Affairs

Mr. Lauder reported that the key item on the agenda of the External Affairs Committee was a discussion and recommendation on the mission statement of The Pennsylvania Gazette. "There was a consensus reached," he said, "and a unanimous recommendation was made to the Executive Committee, which will be presented at the Executive Committee's next meeting." The chairman further noted that members of the External Affairs Committee had focused on the educational survey reported in recent issues of U.S. News and World Report. "We have a challenge before us to try to raise the visibility of Penn," Mr. Lauder observed, "because our objective is to have the world know what a wonderful institution this is."

F. Facilities and Campus Planning

Mr. Arader noted that the student liaisons to the Facilities and Campus Planning Committee, James Karp and Jeffrey Sehgal, had reported on the status of three properties adjacent to the campus that might be potential acquisition sites for the University. "The committee then heard a full report from Mr. Crow, who is the trustee liaison on the construction of the Clinical Research Building," Mr. Arader said. He observed that construction appears to be "on schedule and within budget. But perhaps more important," he continued, "is the fact that the trustee liaison process is working to the advantage of the University, the administration, and to the client-user of the facility."

Mr. Arader went on to report that capital projects, including some recently completed and others under construction, prompted a continuing discussion within the Facilities and Campus Planning Committee of the function of the University's Design Review Committee, especially as it relates to changes during the construction phases of building projects. "Staff agreed to recommend a mechanism for design control during construction at the January meeting," the chairman said. He further noted that the committee had discussed the Wharton Sinkler Conference Center, responding to a staff request for suggestions about future usage and funding. "The meeting concluded with a brief discussion of various maintenance projects, which are either underway or proposed," Mr. Arader said.

G. Student Life

Dr. Chisum reported that the Student Life Committee had heard a report on the use of the general fee which funds student organizations and services. "It was interesting to note that the Student Activities Council has put into place a mechanism for dealing with deficit operations in the student organizations," she said, "but there is some correlation between the recognition and funding of those organizations." Dr. Chisum went on to note that somewhat to the committee's surprise, the students had suggested a $3-increase in the general fee be considered to provide more funding. "Apparently 25 percent of the cost of student organizations is supported by the fee," she said, "and 75 percent by funds raised from dues, ticket sales, and other fundraising activities."

Dr. Chisum further noted that the committee had received an update on
the activities of the Performing Arts Council. "In addition," she said, "the president and founder of the University of Pennsylvania Student Federal Credit Union (SFCU) made a report." She described the SFCU as an independently chartered organization, which is a "testimony to the entrepreneurship of our students."

The Student Life Committee chairman observed that members had not had time to discuss a final agenda item, security on the campus, but would do so at the January meeting. "We again emphasize the importance of communicating to students the necessity for taking responsibility for their own security," she said. "Any security system that is put into place cannot provide complete security if the students don't recognize their own responsibility for their own security. But at least it is gratifying to know that the student organizations are beginning to increase their efforts to sensitize the students to the importance of recognizing that responsibility."

H. University Responsibility

Mr. Yarnall told the Trustees that the University Responsibility Committee had heard reports on administrative efforts to increase the numbers of minority faculty and students at Penn. He noted that Lee Staton, the dean of admissions, had discussed minority applications and admission at the undergraduate level, pointing out that:

- the number of minority applications are increasing for each target group and, overall, Penn received almost 3,000 minority applications last year with fewer than 1,000 nine years ago;
- the number of minority admissions are also very encouraging, with the admission rate for each target group as higher than the rate for the total applicant pool;
- minority matriculations total 554 students, which is 22 percent of the freshman class and the largest number of blacks and orientals to enter the University; and, finally,
- the rising visibility of Penn aided efforts to attract minority students.

Mr. Yarnall observed that Valarie Cade, the assistant provost, had reported on minority applications and admissions at the graduate level. According to the chairman, she stressed that:

- the number of minority applications has increased slightly, in particular, the number of applications from blacks and Asians rose last year;
- the number of minority students who matriculate for graduate work at Penn is holding steady;
- although there was a significant increase in the number of blacks admitted, the University, like its peer institutions, faces a number of challenges on this front since, nationally, the competition for the finest students is now very intense; and, therefore
- the administration is taking active steps to improve Penn's competitive position, including centralizing the University's recruitment efforts.
Deputy Provost Richard Clelland reported on black faculty members, according to Mr. Yarnall, who mentioned that Dr. Clelland had told the committee that the number of black faculty has been increasing slowly but steadily, with the major increase in the category of untenured assistant professors.

He went on to report that Marion Oliver, vice dean and director of the Wharton Undergraduate Division and former associate provost, had discussed the University's efforts to increase minority presence at the graduate, postgraduate, and faculty levels. Dr. Oliver noted, according to the chairman, that while there has been a significant decline nationally in the number of minority Ph.D. candidates and recipients, the University has taken several important steps to increase minority presence, including:

- the establishment of successful pre-doctoral and post-doctoral programs that attract outstanding young minority scholars to Penn to finish their dissertations or to do post-doctoral work with the hope that these efforts will lead to the hiring of some of the minority scholars as full-time faculty; and
- the expansion of efforts to bring minority scholars to the University as visiting professors both as a recruitment tool and as role models.

Mr. Yarnall commented that the committee applauded the progress made in the area of increasing the minority presence at Penn and confirmed the need to continue to work at the task at all levels of the University.

I. Medical Center

Mr. Brown reported that one of the most important things to have occurred in the medical area of the University since the June meeting of the Trustees was the opening on September 28th of the 15-story Founders Pavilion of the Hospital. He noted that the $96 million facility provides 130 inpatient medical and psychiatric beds, 90 intensive care unit beds, and a 450-seat cafeteria in addition to offices and laboratories. The chairman of the Medical Center Board further observed that construction continues on the Clinical Research Building on the former PGH site. "The building will cost $54 million," he said, "and is slated for completion in 1989." It will house ten clinical research programs and a Howard Hughes Institute. Mr. Brown also noted that HUP's next door neighbor, Children's Hospital of Philadelphia, would break ground in November for its Ambulatory Care Administration Building.

He went on to report that much of what is going on internally in the Medical Center is focused on helping resolve its financial problems. "One of the most important recent initiatives," Mr. Brown said, "was a two-day retreat conducted by the Clinical Practices of the University of Pennsylvania to discuss the ways of increasing Hospital admissions. "About 75 percent of the funds generated by the Clinical Practices come from patient care," he continued, "and therefore it is very important that the Hospital is patient-friendly and that HUP physicians generate as many patient admissions as possible." The chairman observed that Hospital practitioners were studying how to maximize clinical referrals from other
doctors and ways to increase affiliations with managed-care organizations in the Delaware Valley. He further noted that an on-site HMO for the Hospital employees would become operative on the 1st of November.

Mr. Brown reported that the Medical Center has retained an outside marketing firm to study its marketing problems and recommend strategies. He said the Center had identified a number of cost containment objectives. "Obviously, it is important to try to reduce Hospital costs to a minimum consistent with high quality care," he observed, "but the most significant aspect of the financial problem that we face is that while the hospital is full, patient admissions are down and patient lengths of stay are up. The hospital staff, the clinical practitioners, and the Medical Center Board are all studying the question of why this is and what can be done about it." He added that the management of the Medical Center was working on strategic plans to improve the Center's financial operations and expected to present its conclusions to the Trustee Executive Committee in December and to the full board at its January 1988 meeting.

J. Investment Report

Mr. Neff observed that in view of the "tumultuous times," he was prepared to take a bit longer than usual to respond to questions about how the Associated Investments Fund (AIF) had done, what it had done, and what's going to happen from here on in both in the market and in the economy. He added that he expected to do "a little better in the first two than in the third area."

"We've been looking for a correction on the magnitude of maybe 20 or 25 percent," he said, "and it finally happened with a vengeance. Our performance since the 30th of June encompasses the recent unpleasantness, and we had a very poor September quarter. In a negative way, October was better." Mr. Neff pointed out that the Standard and Poor 500 Stock Average (S&P) depreciated 24.4 percent between 30 June and 26 October 1987 whereas AIF stocks depreciated 22 percent on a total return basis. "I would have hoped we would have done a little better than that," he continued, "but at least we were on the right side on the commons that we retained. In addition, as you well know, we've been a little charry of this market, and even in the equity portion had acquired a bit of liquidity, not to mention putting a bit of that in the fixed-income side." He pointed out that at the end of June, 59 percent of the AIF was invested in common stocks when Investment Board rules allowed up to a 75-percent equity investment. "A few months later, we took the common stock portion of the Fund down to about 55 percent," Mr. Neff said, "so what happened between the end of June and the end of October was that the AIF decreased 12.2 percent per share on a total return basis. If you made a composite index of the bond indices and the S&P, that index was down 15.8 percent, so we did 3.6 percentage points better or to put it still another way, we went down only 77 percent as much as those indices."

The Investment Board chairman went on to note that "since the market went into a tail-spin," about two-thirds of the liquidity in the AIF, or
some $35 million, had been put back into the market. "About the only new area of investment," he said, "is the airlines, which now represent about 3.5 percent of the equity portion of the portfolio." Mr. Neff mentioned in particular Delta and NWA as companies whose fares were going up but had escaped the attention of the marketplace. "We think," he said, "that in the airline industry, which is very well leveraged, the potential 1988 earnings will surprise."

Turning to the future, Mr. Neff observed that he believed the market, which he had long felt was overvalued, now offers fair value. "Unfortunately, things oftentimes go too far either way these days," he said, "and we do run some risks there accordingly. But we still have the fixed-income portion of the equity portfolio to reinvest, and I think the market will probably test the recent lows or even go through them. The biggest problem is what effect this decline in the market is going to have on the economy. The media equates it with a concomitant decline in the economy, and while I know how important we all think we are in the investment community, in the proverbial Peorias and Oshkoshes, the man on the street is more interested in whether he retains employment and, as a result, can carry on consumer expenditures."

Mr. Neff added that eventually, as volatility and volume slow down, the stock market story will "come off of the front page and life will go on." He further noted that thanks to the Federal Reserve system, credit has been kept available, interest rates have been pushed down "from a point where they may have been discouraging to the consumer marketplace in and of themselves, and even some of the participants in the A7 group have reduced their interest rates accordingly, so, in short, credit is going to continue to be available and it's going to be reasonable. What happens on the economic side bears very close watching, but I'm not ready to mark 1988 down," he added. "Keep your fingers crossed. While this economy is mature in terms of any past business expansion, we really haven't built any excesses in the traditional areas that cry for correction, e.g., capital expenditures, inventory, government expenditures. As a matter of fact, we just got done absorbing more than a $70-billion decline in the budgetary deficit, which, quite frankly, we still haven't got much credit for in security markets. Suffice to say," he concluded, "we're trying to stay cool, as the Street swings from rampant enthusiasm to abject despair."

V. Overseers and Other Boards

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

RESOLVED, that Norma P. Killebrew be appointed to the Board of Overseers of the School of Nursing for a three-year term, effective 30 October 1987.

D. Action. A Resolution on an Appointment to the Board of Overseers of the University Museum was approved as follows:

RESOLVED, that Charles B. Grace, Jr. be appointed to the board of Overseers of the University Museum for a three-year term, effective 30
June 1987.

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

RESOLVED, that Charles A. Bowsher and Gerald Tsai, Jr. be appointed to the Board of Overseers of the Wharton School for three-year terms, effective 30 October 1987.

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


E. Action. A Resolution on Appointments to the Board of Advisors of the Cancer Center was approved as follows:

RESOLVED, that Leonard Abramson, Robert P. Hauptfuhrer (chairman), Douglas MacMaster, Jr., and Mary Louise Smith be appointed to the Board of Advisors of the Cancer Center for three-year terms, effective 30 October 1987, and that Albert J. Feldman and Donald Van Roden be appointed to the Board of Advisors of the Cancer Center for two-year terms, effective 30 October 1987.

Before the close of the meeting, Mr. Wolf took the opportunity to introduce Dr. Andrews, the new dean of the School of Veterinary Medicine, to the Trustees.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University