A Stated Meeting of the Trustees was held on Friday, 12 October 1990, in Bodek Lounge of Houston Hall. Trustees attending included: Arlin Adams; Juan Amodei; Leonore Annenberg; Samuel Ballam; Gordon Bodek; Susan Catherwood; Richard Censits; Gloria Chisum; Michael Crow; John Eckman; Carol Einiger; Robert Fox; John Harkins; Stephen Heyman; Judge Higginbotham; Reginal Jones; Donald Langenberg; Margaret Mainwaring; Anthony Minisi; John Neff; Adele Schaeffer; Alvin Shoemaker; Saul Steinberg; Myles Tanenbaum; Michael Tarnopol; Robert Trescher; P. Roy Vagelos; Sandra Williamson; Charles Wolf; Harry Woll; Richard Worley. Others present included: Michael Aiken; Duncan Van Dusen; William Epstein; Karen Gaines; Eileen Heron; Chaplain Johnson; Gail Levin; Mary Ann Meyers; Rick Nahm; Allison Rose; Lee Stetson; 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 22 June 1990 meeting were approved as written by the secretary.

II. Chairman's Report

A. Action. A Resolution of Appreciation to Gordon S. Bodek was approved as follows:

Intention:

A 1942 cum laude graduate of the College, Mr. Bodek has served the University with devotion and distinction as an alumni trustee from 1978 to 1983, a term trustee from 1985 to 1990, a member of the Board of Overseers of the School of Arts and Sciences from 1982 to 1988, past president of the University of Pennsylvania Club of Southern California, chairman of the California Development Committee, and a member of the Board of Advisors of the Wharton Club of Los Angeles. He is currently a member of the Trustee committees on Development, External Affairs, and Student Life in addition to serving on the Board of Overseers of the Graduate School of Education, the President's Council, and the Board of Associate Alumni Trustees for Southern California. Both the lounge in the west wing of Houston Hall and a scholarship fund bear the Bodek name. In 1986 the General Alumni Society presented Gordon Bodek with its Award of Merit. The Trustees affirm that their colleague and friend merits a permanent place on the governing board of the University of Pennsylvania, therefore be it

RESOLVED, the Gordon S. Bodek be elected a trustee emeritus of the University of Pennsylvania.

D. Action. A resolution of Appreciation to Harry J. Woll was approved as follows:

Intention:

Harry J. Woll studied engineering at North Dakota State College and the Illinois Institute of Technology before being awarded the first RCA David Sarnoff Graduate Fellowship in 1947, which enabled him to come to the University of Pennsylvania. In 1953 he received a Ph.D. in electrical engineering, and he has been an involved and helpful alumnus ever since. In recognition of his contributions, the Moore School awarded Dr. Woll its Gold Medal in 1973; and the Engineering Alumni Society awarded him its Yarnall Award in 1982. In 1975 the School of Engineering and Applied Science chose him as its commencement speaker. A member of the SEAS Board of Overseers since 1975, Dr. Woll has served as chairman of the Moore School Board of Trustees since 1976.
In 1988 the General Alumni Society honored him with its Alumni Award of Merit. Elected a term trustee of the University in 1989, he has served with distinction on the Trustees Facilities and Campus Planning committee.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the Overseers, administration, faculty, students and alumni of the University, express their appreciation to Harry J. Woll for his service and look forward to his continued involvement in University activities.

C. Action. A Resolution of Appreciation to Frederick J. Warren was approved as follows:

Intention:

Frederick J. Warren graduated from the University with a degree in mechanical engineering in 1960 and with a master of business administration degree in 1961. As an active and concerned alumnus, he provided important support for Penn's management and technology program. His generosity made possible the Frederick J. Warren Professorship in demography. He was elected an alumni trustee in 1985 and was named an overseer of the School of Engineering and Applied Science in 1988. Mr. Warren served with distinction on the Trustees Budget and Finance committee and its Development committee.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the Overseers, administration, faculty, students, and alumni of the University express their appreciation to Frederick J. Warren for his service and look forward to his continued involvement in University activities.

D. Action. A Resolution of Appreciation to Mary Ann Meyers was approved as follows:

Intention:

Mary Ann Meyers has been associated with the University of Pennsylvania as a student, an administrator, and a teacher for nearly three decades. Graduated magna cum laude and Phi Beta Kappa from Syracuse University, she first came to Penn in 1962 as a graduate student in American civilization and as the editor of several University magazines. During that time she began to write for The Pennsylvania Gazette, an activity she has continued to the enlightenment and pleasure of readers ever since. Obtaining a master's degree in 1965, she left Penn to tend to Andrew and Kate Meyers and pursue a career as a free lance writer. Teaching literature to teenagers in a drug rehabilitation program was one of her many volunteer undertakings, and she subsequently returned to Penn to study for a Ph.D. while also serving as assistant to President Martin Meyerson. After receiving her doctorate in 1976, she went off for a few years to Haverford College where she edited the alumni magazine and taught American religious history. She published a book, A New World Jerusalem, continued to write articles and book reviews for newspapers and magazines, and received several prestigious awards. Penn called her back to serve as Secretary of the University in 1980, and in that position she has been the principal liaison between the President and the Trustees, responsible for coordinating all their activities as well as those of 14 overseer boards. She also does Commencement. In her spare time, she teaches an American civilization course and contributes to the University of Pennsylvania Press as a trustee and to the Annenberg Center as a member of its Board of Advisors. We all benefited from her leadership as vice chairman of Penn's 250th Anniversary celebration. The University is richer for her managerial grace, and her presence at Trustee gatherings will be sorely missed by her colleagues and friends. The Trustees anticipate, however, that she will be able to contribute with the same success to an even larger universe in her new position as president of the Annenberg Foundation. Therefore, be it
RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves, the Overseers, administration, faculty, students and alumni of the University express their gratitude to Mary Ann Meyers for her years of devoted service and her extraordinary efforts on behalf of Penn.

E. Action. A Resolution on the Amendment of Article 2, Section 2.2(c) of the Statutes was approved as follows:

Intention:

The Statutes of the University were amended on 20 January 1984 to limit the number of term trustees to normally no more than twenty in number, but, in no circumstance, greater than twenty-five in number. The Nominating Committee has concluded that such a mandate does not permit sufficient flexibility at a time when the University is embarked on a major fund drive. It has recommended to the Executive Committee of the Trustees that the number of term trustees be increased to thirty for the duration of the capital campaign. The Executive Committee has accepted the Nominating Committee's recommendation and proposes the Amendment of Article 2.2 (c) of the Statutes. It further proposes that the decision to expand the number of term trustees be reviewed before January of 1995.

RESOLVED, that Article 2.2 (c) of the Statutes of the University of Pennsylvania be amended to read: Term Trustees: normally up to twenty-five in number, but, for the period ending in January 1995, up to thirty in number, elected to serve for terms of five years. A term trustee shall be ineligible for reelection as a term trustee for a one-year period following the completion of two successive terms.

III. Report of the President

A. President Hackney reported that the University had successfully welcomed the Class of '94. He complimented Vice Provost Kim Morrissone and her staff for doing "a fine job" in orienting the new students, and he noted in particular their work on diversity programs. The president then reported on the final phase of Penn's 250th Anniversary celebration. He invited all of the trustees and other friends of the University to participate in both the celebratory and intellectual aspects of these last weeks of the observance.

Dr. Hackney went on to observe that with the semester well underway, safety and security remain top priorities for Penn. He noted that the University had announced the appointment of a new commissioner of public safety, John Kuprevich, the former director of security at Brown University. He also noted that the administration is moving forward with the hiring, training, and development of additional officers. The president went on to comment on his previously announced plans to add to the mix of student housing in the center of campus. He said he had met with the members of the task force charged with recommending both short and long-term steps Penn can take to diversify Locust Walk and looked forward to the progress he was confident was possible in this "important area" of University life.

Finally, the president noted that he welcomed the news that a survey released this week by U.S. News & World Report ranks the University in 13th-place among American research institutions compared to last year's 20th-place ranking. "But it still is not an accurate reflection of the academic standing of Penn compared to other institutions," he said. "While I am pleased that the magazine changed its methodology to put less value on the category that measures state funding, I continue to believe that the entire exercise is highly arbitrary and worth far less than the enormous amount of attention that it receives. Nonetheless," he concluded, "we will continue our pro-active efforts to share Penn's positive story with the world at-large."

D. Action. A resolution on the naming of the Revlon Center was approved as follows:
Intention:

In appreciation of the $10 million gift for the construction of a campus center made by the Revlon Foundation, chaired by Trustee Ronald O. Perelman (W '64, WG '66), the administration proposes naming the facility planned for the 3600 block of Walnut Street the Revlon Center.

RESOLVED, that the campus center planned for the 3600 block of Walnut Street shall be named the Revlon Center.

C. Action. A resolution on the naming of the Edward J. Stemmler Hall was approved as follows:

Intention:

A 1960 graduate of the School of Medicine, who had taken his undergraduate degree at LaSalle College, Edward J. Stemmler became dean of his alma mater, the nation's first medical school, eleven years after joining its faculty as an instructor in 1964. He was named Robert G. Dunlop Professor of Medicine in 1981. Elected Executive Vice President of the University of Pennsylvania Medical Center in 1986, he guided Penn's newly organized health enterprise during its formative years. Returning to research and teaching in 1989, he subsequently embarked on yet another career as executive vice president of the Association of American Medical Colleges.

In recognition of Dr. Stemmler's energetic and imaginative leadership in medical education and his devoted service to the University of Pennsylvania for more than a quarter of a century, the administration proposes that the Medical Education Building on Hamilton Walk be named for Penn's distinguished alumnus.

RESOLVED, that the Medical Education Building on Hamilton Walk shall be named and hereafter known as the Edward J. Stemmler Hall.

B. Academic Report

1. Provost Aiken observed that the University's proposed Five Year Plan had been published in the Almanac for comment and discussed at the Trustee's Academic Policy Committee Meeting. He said the administration hoped to have a final plan by 1 December. Dr. Aiken went on to say that a Provost's Committee on Undergraduate Admissions was being formed and would discuss and recommend, in conjunction with the Council of Undergraduate Deans, major policies pertaining both to financial aid and admissions. He mentioned the establishment of new programs for talented Penn minority undergraduate students, the Mellon Minority Undergraduate Humanities Fellowship Program, which involves nine students, and the William Penn Undergraduate Engineering and Science Fellows program, which involves 57 students. "Both programs are intended to encourage extraordinary African-American and Hispanic students to complete Ph.D. programs and to pursue academic careers," the provost said.

In conclusion, he reported that Thomas P. Hughes, professor of the history and sociology of science, will be receiving a 1990 William R. Kenan, Jr. Charitable Trust award of $25,000 for scholarship related to enterprise.

2. Action. A Resolution on Appointments, Leaves, and Promotion was approved as found on pages 1 through 11 of the meeting book.

D. Financial Report

Senior Vice President Whittington reported that as of 30 September 1990, the administration projects a break-even performance for the fiscal year ending 30 June 1991 after approved, budgeted, discretionary allocations to the Undergraduate Development Fund, the Research Fund, and the campaign and after the budgeted, mandated Graduate Hospital deficit amortization.
"On the unrestricted side," Dr. Whittington said, "all schools and centers are projecting break-even performance. "On the restricted side," the senior vice president continued, "endowment and grant and contract expenditures increased by 36.6 percent and 9.0 percent, respectively. Gift fund expenditures decreased by 5.7 percent," she noted.

Dr. Whittington also reported that for the two-month period ending 31 August 1990, the Hospital had an excess of revenues over expenditures of $3,505,000 which is $2,423,000 better than budget. She noted that the Clinical Practices continued to report on a quarterly basis, so she had no data on their financial operations.

IV. Trustee Committee Reports

A. Academic Policy

Dr. Langenberg reported that Penn's five-year academic plan was the sole topic of the meeting of the Committee on Academic Policy. "No action was required, but we had a serious discussion and good presentations," he said. The chairman urged his colleagues to give the report serious study. "It is a very substantive document, very tightly and closely written," he observed, "and it deserves a close reading. In its final form, I would except that it would serve to set the academic course of this institution for a good number of years." Dr. Langenberg went on to observe that the principal areas selected for focus in the plan are: research capacity, undergraduate education, Ph.D. education, professional education, the information environment, Penn as an international university, and the quality of the campus environment. "With respect to just one of those subjects," he noted, "the report discusses initiatives the University must take to remain a nationally competitive research university. The cost of implementing the recommendations is likely to be measured in hundreds of millions of dollars in the next decade," he added, "and the board needs to pay very careful attention."

Dr. Langenberg concluded his remarks by observing that it had been a little over seven years ago when the Trustees accepted his resignation as a professor of physics. "Now I find myself back as a term trustee," he said, "and I'm delighted to be here."

B. Audit Committee

In the absence of Mr. Dorrance, Mr. Ballam reported that the Audit Committee had met earlier in the month with Coopers & Lybrand, Penn's independent accountants, to hear their report on the Financial Statements prepared by the management of the University. He said members of the committee had reviewed the reports of the Hospital, the Clinical Practices, and the University. He noted that in Penn's 1989-90 Annual Report, the independent accountants had given their "unqualified opinion" that the University's financial statements met with generally accepted accounting principles. He added that Coopers & Lybrand had told the Audit Committee that there was no significant changes in the notes from the previous years.

Mr. Ballam further noted that the committee had heard a report from the University's internal audit group headed by Roderick Fancher. "We were somewhat concerned by the number of special investigations that seem to have come to light recently," he said. But he also pointed out that there is a good relationship between the internal audit staff and the departments and schools and, as a result, several investigations were performed by Internal Audit at the request of department heads or deans. He noted that Senior Vice President Whittington had assured the committee that after the findings of facts in these cases, the responsible administrators had taken action at once to deal with the perpetrators of improper activities. "We were encouraged by the attitude of cooperation in such matters that have developed within the University," Mr. Ballam said.
He went on to note that the Audit Committee members also had a report from the Comptroller concerning the change in accounting rules governing post-retirement benefits other than pensions. He stated that the change, effective in Fiscal Year 1993 unless amended, would require the University to record a liability for post-retirement benefit costs over all employees period of employment rather than on a pay-as-you-go basis after the employee retires. The transfer liability, which is the liability at the date of adoption, will be charged to operations over a period of 19 plus years, and the cost estimate, for both the University and the Hospital, based on July 1, 1989 data, is $125 million.

The acting chairman further reported that the audit Committee had heard a presentation on Penn's business continuity plans. He explained that one aspect of the plan was related to the security of various computer activities and the other to the reconstruction of records after a disaster. Mr. Ballam said Dr. Whittington assured committee members that progress is being made in both areas.

C. Budget and Finance

Mr. Fox reported that the Budget and Finance Committee had discussed and approved three resolutions, which he recommended to the Trustees. Mr. Shoemaker commented that the resolutions will be recorded as action by the Executive Committee of the Trustees.

1. Action. A Resolution on Tax Exempt Financing for Various University Projects was approved as follows:

Intention:

The Tax Reform Act of 1986 (the "Act") imposes a limitation on the amount of tax-exempt obligations which may be issued on behalf of 501(c)(3) organizations, such as the University, for non-hospital facilities. The current limitation is $150,000,000, and to date bonds in excess of that amount have been issued for the University. Congress, in connection with the passage of the Act incorporated transitional relief for the University from the $150,000,000 rule as provided in 1317(33)(F) (the "Transition Rule"). Under the Transition Rule a governmental body may issue up to $6,500,000 of tax-exempt bonds for the University by December 31, 1990 without the cap being applicable. The proceeds of the obligations are limited as to use by the Transition Rule and may only be applied to renovate undergraduate chemistry and engineering laboratories or to rehabilitate other basic science facilities.

The administration recommends that the University take advantage of the relief granted by the Act and request that the Pennsylvania Higher Educational Facilities Authority (the "Authority") issue up to $6,500,000 of its revenue bonds (the "Bonds") for the benefit of the University by December 31, 1990 for application to the undertakings permitted in the Transition Rule. In connection therewith, Morgan Guaranty Trust Company of New York ("Morgan") acting on behalf of trusts for which it serves as trustee and for clients for whom it provides investment management, has indicated its interest in purchasing the Bonds from the Authority pursuant to a private placement transaction. The Bonds would have a term not to exceed 30 years and bear interest at a fixed interest rate or variable rate in accordance with the Morgan master note program in which the University currently participates.

On the date of the issuance of the Bonds and the acquisition thereof by Morgan, the University will be required to enter into financing documents including but not limited to a bond purchase agreement, loan agreement and/or trust indenture.

The administration desires that the Trustees grant to the Senior Vice President or the Treasurer the power to request that the Authority issue the Bonds on behalf of the University and to approve the form and terms of the Bonds, the documentation to be used in connection therewith and all other matters and details relating to the Bonds and the borrowing of the proceeds thereof by the University.
RESOLVED, that the Trustees of the University of Pennsylvania approve the issuance of the Bonds by the Authority to fund the undertakings permitted by the Transition Rule, in a principal amount not to exceed $6,500,000, for a term of up to 30 years at a variable interest rate based upon a floating percentage, determined from time to time by Morgan, of thirteen week United States Treasury Bills (as in the case of other bonds issued by the Authority for the University and held by Morgan) or a fixed rate of interest as determined by the Senior Vice President or the Treasurer.

FURTHER RESOLVED, that the Senior Vice President or Treasurer be, and either of them is, authorized to make application on behalf of the University to the Authority for the issuance of the Bonds and to pay such fees and expenses as may be required in connection with such application.

FURTHER RESOLVED, that the Trustees of the University of Pennsylvania hereby approve and authorize the private placement of the Bonds by the Authority with Morgan. The Senior Vice President or Treasurer is hereby authorized and empowered to approve the form, conditions, terms and rate of interest, in consultation with University counsel and bond counsel, of the Bonds, except that the principal amount and term shall not exceed the limitations provided above, and any financing documents utilized in connection with the Morgan program and the issuance of the Bonds, and to execute and deliver on behalf of the University any such documents; such execution and delivery to be conclusive evidence of approval thereof by the officer executing them.

FURTHER RESOLVED, that the Secretary, Associate Secretary or any Assistant Secretary is hereby authorized and empowered to attest the corporate seal to any financing documents executed and delivered by the University in connection with the issuance of the Bonds.

FURTHER RESOLVED, that all costs related to the issuance of the Bonds shall be paid from the proceeds of the Bonds or as applicable, from the University funds. If for any reason the Bonds are not issued, it is understood that all such costs shall be paid by the University and that the Authority shall have no responsibility therefor.

FURTHER RESOLVED, that the Senior Vice President or the Treasurer is hereby authorized and empowered to take any action or to do anything which shall be necessary to carry out the intent and purpose of this resolution, including the designation of projects, consistent with the Transition Rule, to be financed by the Bonds and to cause the issuance of the Bonds on behalf of the University prior to the expiration date of the Transition Rule.

2. Action. A Resolution on the Renovation of the Second Floor of Anatomy/Chemistry Building for the Department of Biochemistry and Biophysics, School of Medicine was approved as follows:

Intention:

The administration proposes to renovate approximately 9,900 gross square feet of research space on the second floor of the Anatomy/Chemistry Building to provide modern laboratories for conducting biomedical research for the Department of Biochemistry and Biophysics of the School of Medicine. This project was included in the Fiscal Year 1990 Capital Budget. Costs of the project are estimated to be $3,350,870 and will be funded by the School of Medicine.

RESOLVED, that the renovation of the second floor of the Anatomy/Chemistry Building, estimated to cost $3,350,870 be and the same hereby is approved and that the Senior Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, proceed with such renovation, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such renovation as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.
3. Action. A Resolution on Fees, Surveys and Related Costs for the Renovation of Dining Facilities and Common Spaces in English House/Kings Court Residence was approved as follows:

INTENTION:

The administration intends to renovate portions of the English House/Kings Court Residence to provide improved student public space, new dining facilities, a new kitchen facility (to replace the kitchen facility lost due to construction of the Law Library), and a new Sansom Street entrance to the residence. The administration proposes to begin the planning for this renovation as soon as possible. This project is included in the Fiscal Year 1991 Capital Budget. Fees, surveys and related costs are estimated at $539,000 and will be advanced from University funds to be repaid by Residential Living and Dining Services.

RESOLVED, that the fees, surveys and related costs for the English House Renovations estimated to cost $539,000, be and the same hereby are approved and that the Senior Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, proceed with such planning, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such construction as presented to the Budget and Finance Committee -- as may, in their judgment, be necessary or desirable to accomplish the purposes of this resolution.

D. Development

In the absence of Mr. Miller, Mr. Shoemaker reported that the combined meeting of the Development Committee and the Campaign Steering Committee had been very well attended by alumni leaders from around the country in addition to the trustees. He noted that $528 million had been raised so far toward Penn's $1 billion goal. "We are over halfway there," the chairman of the Trustees added, "and we are running about two or three months ahead of schedule.

He went on to say that committee members had heard a report from Dean Hugo Sonnenschein on progress is SAS, which he characterized as "excellent and very encouraging." He further noted that reports had been made by the campaign's various area chairman as well as by those responsible for campus centers. "I think the question that we all had on our minds was just what effect a recession would be likely to have on the campaign," he continued, "and we had a full discussion on the subject with experts from our consulting firm who attended the meeting. We all came away very encouraged, but we are going to have to put our shoulders to the grindstone over the next year or two as the economic climate deteriorates. Still we are generally extremely optimistic."

E. External Affairs

In the absence of Leonard Lauder, Mr. Bodek reported that the External Affairs Committee had discussed two subjects important to the well being and image of the University. "The first was how Penn can avoid the bad public relations stemming from Philadelphia's fiscal crisis," he said, "and discussion quickly focused on how security problems have impacted unfavorably on the University's image." Mr. Bodek added that the committee recognized that they could negatively affect future recruitment of students and faculty. But he also noted that members understood that campus security is a national problem not just one peculiar to Penn. Mr. Bodek went on to report that while the committee recognized that there is some down side to becoming pro-active in the handling of security issues, it unanimously concluded that a pro-active public relations stance was in the University's best interests and suggested a "white paper describing measures Penn has undertaken to address the campus manifestation of a national problem."
Turning to the second item on the committee's agenda, Mr. Bodek reported that Carol Farnsworth had addressed the subject of the recent U.S. News and World Report article that purported to rank the best universities. "As you know, Penn moved from the 20th position last year to 13th place this year due in part," he said, "to some important changes in the magazine's methodology for computing the rankings, as well as efforts of the University Relations Office. And while we are pleased with this improvement, we are not satisfied with the 1990 ranking because we clearly know that we belong among the first ten," Mr. Bodek added. "The committee's charge to University Relations is to continue the program you started but intensify your efforts." He further noted that Ms. Farnsworth had given the committee a copy of her department's 1991 media objectives.

F. Facilities and Campus Planning

Mr. Tanenbaum reported that since the June Trustees' meeting, the Facilities and Campus Planning Committee had met twice: once in July and again on 11 October. "Our primary focus had to do with organizational matters," he said, "and we reviewed certain construction and renovations programs." In particular, the chairman noted, committee members had discussed the new Law School building, the new chiller plant, the new Relvon Center, a building that will house the Institute for Advanced Science and Technology, the Renovation of Logan Hall and of College Hall, the Penn Club, and issues related to satellite dishes on campus structures. He said committee members had agreed to serve as liaisons with respect to each of these undertakings as a means of maintaining Trustee involvement in ongoing projects. Mr. Tanenbaum observed that members of the committee are very much impressed by the talent, dedication, and capabilities of the staff of the Facilities Office.

G. Nominating Committee

In the absence of Mr. Miller, Mr. Shoemaker recommended three resolutions to the Trustees, which he noted had been endorsed by the Executive Committee as well as the Nominating Committee.

1. Action. A Resolution on the Election of Juan J. Amodei as a Term Trustee was approved as follows:

RESOLVED, that Juan J. Amodei be elected a term trustee for a five-year term, effective 12 October 1990.

2. Action. A Resolution on the Election of D. Michael Crow as a Term Trustee was approved as follows:

RESOLVED, that D. Michael Crow be elected a term trustee for a five-year term, effective 12 October 1990.

3. Action. A Resolution on the Election of Michael L. Tarnopol as a Term Trustee was approved as follows:

RESOLVED, that Michael L. Tarnopol be elected a term trustee for a five-year term, effective 12 October 1990.

H. Student Life

Dr. Chisum reported that the Student Life Committee had heard a status update from Vice Provost Kim Morrison on the organization of the committee charged with devising a plan to diversify Locust Walk. She noted that Dr. Morrison co-chairs the committee with Professor David Pope. Dr. Chisum further noted that the Student Life Committee had had a presentation from the Office of Fraternity and Sorority Affairs on the steps taken by Penn in recent years to provide guidance, support, and education for members of Greek letter organizations, including efforts to involve more alumni, faculty, and graduate students in the activities of undergraduate chapters. She observed that reports on the activities of various student groups concerned with the fraternity and sorority affairs presented some of the more positive aspects of Greek letter organizations and outlined some of the steps taken by the students themselves to improve both the image and reality of these campus societies.
I. University Responsibility

Mr. Heyman reminded the board that in January 1986 the Committee on University Responsibility had recommended and the Trustees had approved a timetable for divesting from the University portfolio the stocks of companies doing business in South Africa due to the human rights conditions that existed in South Africa at that time. "Within the body of the recommendation," he observed, "it was noted that these conditions could change rapidly and in unexpected ways, and therefore, the Trustees must reserve the right to revise any policies adopted if warranted by future conditions and developments." The chairman went on to say that in an effort to carry out its responsibility to monitor any changes, the University Responsibility Committee had invited William Moses, a representative of the Investor Responsibility Research Center in Washington, D.C., to update committee members on conditions in South Africa. He described Mr. Moses's presentation as "insightful" and noted that the invitation to him should not be construed as implying any wish by the committee to amend its 1986 recommendations. He said committee members would continue to review human rights conditions in South Africa.

J. Medical Center

In the absence of Richard Brown, Mr. Tanenbaum reported for the Medical Center Board. He noted that the School of Medicine is celebrating its 225th anniversary and that extensive programs have been undertaken as part of the observance. He went on to say that in his view, the reorganization of the Medical Center has gone very smoothly, and he added that the trustee and associate trustee members of the board "are finding the new structure very workable." Refering to the Hospital financial results that already had been reported, Mr. Tanenbaum observed that the Medical Center Board was happy "the progress established last year had been maintained and that HUP was $3 million in the black for the first three months of FY '91." He went on to report that planning was underway for the Medical Center's development campaign, and he noted that a proposed Life Science Building was "at the center point of the entire program."

K. Investment Board

Mr. Neff reported that the common stock portion of the Associated Investments Fund (AIF) was down 25.1 percent (total return) since 31 December 1989 compared with an 11-percent decline in the Standard and Poor's 500 Stock Average (S&P). "A even more dramatic manifestation of the situation," he said, "is that at year-end the current yield of common stocks was 5.3 percent as compared with 7.5 percent on 28 September. We increased that the hard way," Mr. Neff continued, "because the portfolio didn't change all that much. As a result of some fair carnage, the total market value of the AIF, which is $618 million, is well down from the $700 million mark it reached at mid-year and the even higher mark it achieved last December, although well up from December 1979. Despite the conventional wisdom that you have been assaulted with in the media and on Wall Street that there will be an oil crunch and a recession," he said, "we think there is a decent chance we won't have either one."

The chairman of the Investment Board went on to observe that while the price of crude oil may almost have doubled, it looks to him like a "speculative spike. The reason we don't think that oil is going to stay at $40 dollars a barrel but may retreat down to the low $20's is that the moderates are back in control of OPEC and the 4.5 million barrels a day that were lost as the result of the Iraqi invasion of Kuwait have already been replaced by an increase of more than 2 million barrels a day produced by Saudi Arabia, half a million a day produced by the United Arab Emirates, 200,000 a day produced by Libya and the same by Iran, and 100,000 a day produced by Mexico." Mr. Neff also observed that "the nearest oil future is $40 for West Texas Intermediate, the furthest future is $25, and the spot price of natural gas has gone up hardly at all."
The inventory of heating oil and gasoline is quite ample," he pointed out, and he went on to say that as refining margins have narrowed, refiners have not been anxious to buy crude oil at high prices. The common stocks of the oil companies have increased more slowly than might have been expected," he added. "If we do return to $22 a barrel," Mr. Neff continued, "I think we will continue to hear from the consumer. It takes a lot to discourage him/her." The chairman of the Investment Board noted that auto sales during the prior month were up to an annual rate of 7.6 million from 6.9 million year-to-date. "Retail sales have started to turn down," he said, "but the good guys, like Walmart, Dayton Hudson, The Gap, continue to show good sales results. Consumer expenditures are two-thirds of the Gross National Product, and important in the other third are capital expenditures and inventories and neither look out of line. With good corporate cash flow," he went on, "I think you'll continue to see good nickel and dime capital expenditures that make sense in terms of productivity."

Mr. Neff then observed that the area where the AIF had been hurt badly was financial intermediaries. They represent 31 percent of the portfolio, and seven stocks make up 93 percent of these holdings," he said. "With the exception of Citicorp," he continued, "our banks, S&Ls, and insurance companies have turned in respectable earnings results so far this year, equaling and even exceeding Wall Street expectations, but their stocks are down from 30 to 50 percent year-to-date. These are the best companies in these areas, with critical mass, good capital ratios, good retention of earnings, and good execution, and if they aren't accomplishing, as the market is saying, then we're in big trouble in the economy."

The Investment Board chairman went on to say that the AIF had been structured such that it was "not too ebullient about the market overall," and was only 50 percent invested in common stocks, although, he pointed out, "we have the ability to put up to 70 percent of the portfolio in equities. And we've reached the point where we've started to push that out," he continued. "Rich Worley is taking a portion of our common money and going out five to six percentage points in longer term corporate and government bonds where we are getting 9 or 9.5 percent return, which isn't going to be too bad a return for the nineties. All in all our fundamentals are performing more positively than the market is giving us credit for and ultimately," he concluded, "the race belongs to the long distance runner. In our view the money to be made in the next couple of years is going to be made in the uncomfortable stocks, though obviously they have to be accomplishing."

V. Overseer and Other Boards.

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

RESOLVED, that Sally Shoemaker be appointed to the Board of Overseers of the Graduate School of Education for a three-year term, effective 12 October 1990.

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

RESOLVED, that William S. Gross be appointed to the Board of Overseers of the School of Veterinary Medicine for a three-year term, effective 12 October 1990.

C. Action. A Resolution on an Appointment to the Board of Advisors of the Institute of Contemporary Art was approved as follows:

RESOLVED, that Henry S. McNeil, Jr. be appointed to the Board of Advisors of the Institute of Contemporary Art for a three-year term, effective 12 October 1990.

D. Action. A Resolution on an Appointment to the Board of Trustees of the University of Pennsylvania Press was approved as follows:
RESOLVED, that Mortimer B. Zuckerman be appointed to the Board of Trustees of the University of Pennsylvania Press for a three-year term, effective 12 October 1990.

E. Action. A Resolution on an Appointment to the Advisory Board of the University of Pennsylvania Institut Francais de Petrole Collaborative program in energy management and policy was approved as follows:

RESOLVED, that Nicky Beredjick, Gary Downey, Stephen J. Heyman, Paul F. Miller, Jr., John Sauer, and Robin West be appointed to the Advisory Board of the University of Pennsylvania Institut Francais du Petrole Collaborative Program in energy Management and Policy.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University