Trustees of the University of Pennsylvania
Minutes of the Stated Meeting
20 January 1984

A Stated Meeting of the Trustees was held on Friday, 20 January 1984. Trustees attending included: Walter G. Arader; David C. Auten; Samuel H. Ballam, Jr.; Julian S. Bers; Gordon S. Bodek; Richard P. Brown, Jr.; McBee Butcher; Susan W. Catherwood; Gloria Twine Chism; Charles D. Dickey, Jr.; G. Morris Dorrance, Jr.; John W. Eckman; Seymour Finkelstein; Joseph B. Glossberg; Donald G. Goldstrom; Bruce J. Graham; Sheldon Hackney; John P. Hellwege; A. Leon Higginbotham, Jr.; John V. James; Leonard A. Lauder; Robert P. Levy; J. Paul Lyet; Margaret R. Mainwaring; Paul F. Miller, Jr. (chairman); Paul Steven Miller; Anthony S. Minisi; John B. Neff; Ralph S. Saul; Bernard G. Segal; Irving S. Shapiro; David L. Simms; Robert L. Trescher; Jacqueline Wexler; Linda C. White; and Charles S. Wolf. Others present included: June Axinn; Ann Bailey; Vickie Bernstein; James Bishop; Jean Brownlee; Michael Carroll; Stuart Carroll; Helen Davies; Ann Duffield; Thomas Ehrlich; Ellen Flax; Karen Gaines; Ralph Garcia; Paul Gazzerro, Jr.; Shelley L. Green; Arthur Hirsch; Stanley Johnson; Bette Kauffman; Marshall Ledger; Jonathan Logan; Steven Ludwig; Lynn Manku; Denise McGregor; Kenneth Meyers; Mary Ann Meyers; Helen O'Donnell; William Owen; Randy Schilling; Lee Stetson; Glen Stinch; Richard Thorp; and Ross Webber.

I. Call to Order
Chairman Miller called the meeting to order and an invocation was offered by the Rev. Mr. Johnson, the University chaplain. The minutes of the 21 October 1983 meeting were approved as written by the secretary.

II. Report of the Chairman
A. Action. A Resolution on Amendment of Article 2.2(c) of the Statutes of the Trustees of the University of Pennsylvania was approved as follows:

Intention:

The Statutes of the University of Pennsylvania require that the number of term trustees, increased to twenty-five by action of the Trustees on October 29, 1976, be reduced to twenty no later than June of 1984. The Nominating Committee has concluded that such a mandate does not permit sufficient flexibility in extraordinary circumstances. It has recommended to the Executive Committee of the Trustees that while the number of term trustees should normally be no more
than twenty, the Statutes be amended to permit up to twenty-five. The Executive Committee has accepted the Nominating Committee's recommendation and proposes the amendment of Article 2.2(c) of the Statutes.

RESOLVED, that Article 2.2(c) of the Statutes of the University of Pennsylvania be amended to read: Term Trustees: normally up to twenty in number, but, in no circumstances, greater than twenty-five 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.

B. Action: A Resolution of Appreciation to Robert Montgomery Scott was approved as follows:

A 1954 alumnus of Pennsylvania's Law School, Harvard College graduate Robert Montgomery Scott has served the University for the past five years as a term trustee. During that period he lent his counsel to the Academic Policy Committee and Student Life Committee and represented the University Trustees as a member of the Joint Committee with the Trustees of The Annenberg School of Communications. His knowledge of the arts brings a valued perspective to the Board of Overseers of the School of Arts and Sciences.

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 Robert Montgomery Scott their thanks for his service.

C. Action: A Resolution of Appreciation to Irving S. Shapiro was approved as follows:

A Minnesotan by birth and education, Irving S. Shapiro earned baccalaureate and law degrees at the University of Minnesota. In Philadelphia's more temperate clime he has completed five years of service as a term trustee of the University of Pennsylvania. The Academic Policy Committee and the Resources Committee have benefited from his perspectives on education and on fund raising. A member of the Board of Overseers of the Law School and an associate trustee prior to election as a trustee, he has ably chaired the Law Overseers since 1982.

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 Irving S. Shapiro their appreciation for his service.

III. Report of the President

A. Dr. Hackney presented what he called an "audit of the University's vital signs." Among the quantitative measures of its condition, he pointed to:

--a ten percent increase over January 1983 in applications to undergraduate programs despite a declining national pool of 18 year-olds and an even greater decrease in the numbers of high school graduates in the northeast than in the nation as a whole;

--a rising enrollment in Ph.D. programs after a six-year decline not only at Penn but at all universities;

--a significant dollar increase over budgeted funds in research contracts and grants.
He noted that, in general, fund raising seems to be running well ahead of where it was at this time last year. "We may be headed for our best year ever," he said. The president also observed that faculty salaries at Penn are surpassed by only two other Ivy League institutions, according to a recent survey. He pointed out that not only is the current budget balanced, but the University anticipates having a small surplus at the end of June. "I will introduce an outline of the FY'85 budget within the next few weeks," he said. "That budget also will be balanced, and I expect to ask the Trustees to approve it in March."

Turning to the state of academic programs, Dr. Hackney cited several areas where he said the University was making "great intellectual progress." He mentioned the Penn Plan for family-based financial assistance, the administration's commitment to creating a campus-wide computer network, the work of the Faculty Council on Education which has been developing model courses that offer a new approach to general education, a proposed new seminar in the social sciences, and a campus-wide discussion of the freshman year which is planned for the spring. "We can say with confidence that Penn is a great university," the president declared. "For me it is a very exciting place to be now, and I think it may be a very exciting time in the University's history."

B. Academic Report

The provost noted that academic planning was going forward with the goal of developing a University five-year plan. He said the administration was in the process of reviewing the plans of the various schools and resource centers, and he observed that the upcoming review of the University by the Middle States Association would focus on Penn's planning effort.

Mr. Ehrlich further observed that a number of initiatives were being implemented that were related to previously identified special challenges in undergraduate education, research, and financial aid. In addition to the work of the Faculty Council on Undergraduate Education, the computer initiatives, and the Penn Plan mentioned by the president, he cited new research efforts in plant science. He said the faculty was the key to the atmosphere of academic excitement found on campus, and he called special attention to the appointment to tenure in the School of Nursing of Joyce Thompson, who has developed a graduate program in mid-wifery and is also working in the field of nursing ethics.

1. Action: A Resolution on Splitting the School of Dental Medicine's Department of Orthodontics and Pedodontics into Separate Departments was approved as follows:
Intention:

The School of Dental Medicine has asked that its Department of Orthodontics and Pedodontics be split into separate departments. The request is supported by the faculty members in that department and is consistent with the School's plans in those areas.

RESOLVED, that the Department of Orthodontics and Pedodontics in the School of Dental Medicine be terminated as of 20 January 1984 and that, as of that date, the Department of Orthodontics and Department of Pedodontics be established.

2. Action: A Resolution on Appointments, Promotions, and Leaves for the period from December 2, 1983 to December 22, 1983 was approved as found on pp. 1-9 of the meeting book.

C. Financial Report

Mrs. O’Bannon reported that in January the University began to offer an alternative retirement investment program for faculty and staff through the Vanguard Group. She said that a new staff grievance procedure also has been implemented, and she mentioned the initiation of a diagnostic assistance program for employees who find that personal problems are affecting their work. "We continue to provide opportunities for training for staff members in an effort to enable them to enhance their managerial and supervisory skills," the senior vice president said. She further noted that in February the administration will offer employees information on some 2,000 child-care services available in the Delaware Valley.

Turning to University finances, she observed that the modest surplus the president had forecasted will amount to less than two-tenths of one percent of the operating budget. It will come, Mrs. O’Bannon said, from savings in salary expenses, utilities, and interest expenses, as well as from interest on temporary investments, indirect cost recoveries, gifts, and sales revenue. "While our unrestricted budget is very tight," she observed, "it will enable us to maintain our remarkable record of a positive balance at year end."

The Hospital, she said, showed a surplus of $3.3 million through November for despite a fall off of patient revenues, it was able to reduce operating expenses. "We also are very pleased with the financial performance of the Clinical Practices," the senior vice president concluded.

III. Report of Trustee Committees

A. Audit

Mr. Dickey reported that the Audit Committee had reviewed a proposal from Coopers & Lybrand that it audit the University's books for FY'84 and recommended the firm's appointment.
1. Action: A Resolution on Appointment of Auditors for FY'84 was approved as follows:

RESOLVED, that Coopers & Lybrand be and hereby is appointed as accountant to audit the books of the University for Fiscal Year 1984.

B. Budget and Finance

Mr. Eckman reported that the Budget and Finance Committee had reviewed and recommended to the Trustees eight resolutions. He observed that those authorizing the preparation of working drawings for the further renovation of Quad dorms and for the construction of the Mudd Plant Sciences Building would give the board's blessing to the first, small expenditures for costly projects that would increase the University's debt.

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

Intention:
The administration proposed to rehabilitate the Franklin Field Stands at an estimated cost of between $5,250,000 and $6,000,000. Funds for drawings were authorized by the Trustees on 21 January 1983. The administration proposes that Phase I of the rehabilitation, the cutting of expansion joints in the Stands, and shoring of existing columns and girders beneath the North Stands proceed at a cost of $1,695,000.

An examination of the soil structure underpinning the eastern stands of Franklin Field has revealed underground erosion of the soil base surrounding the structure. The administration proposes to stabilize the soil by pumping concrete into the area surrounding the pilings. The additional cost of stabilizing the soil is estimated to cost $290,000. The administration proposes to advance $1,985,000 from general University funds and is presently examining methods of financing the total rehabilitation.

RESOLVED, that the construction of Phase I of the Franklin Field Stands rehabilitation and the stabilization of the soil under the eastern stands of Franklin Field, in accordance with the proposals presented to the meeting, be and the same hereby are approved and the vice president for finance or other appropriate officers of the University be and they hereby are authorized to proceed with such rehabilitation and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such rehabilitation as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such rehabilitation.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the rehabilitation and stabilization projects authorized by the foregoing resolution which are not funded from the sources specifically cited to the Budget and Finance Committee or by gifts expressly designated for such purpose be paid or, if previously paid or discharged out of operating funds, reimbursed out of the proceeds of the sale of a contemplated issuance of tax-exempt notes which it is proposed will be effected through a government agency to finance
capital projects. To the extent the project is thus financed through issuance of tax-exempt notes, the retirement of the debt principal and associated interest expense shall be the responsibility of the Department of Intercollegiate Athletics, to be discharged within the established amortization period for the financing.

2. Action: The Resolution on the Department of Education Loan Agreement for Energy Conservation was approved as follows:

Intention:

The U.S. Department of Education will lend the University $250,000 to install energy conservation devices in seven dormitories and dining facilities. The terms of the loan are an interest rate of 3 percent, to be repaid over a term of 30 years. The University estimates that the investment will result in equivalent energy savings in 2.5 years.

The administration proposes to install the energy conservation devices over the summer of 1984. Additional University funds of $52,500 will be required to complete the project. Those funds will come from Campus Building Survey Program and be repaid from utility charges.

RESOLVED, that the execution of a loan agreement with the U.S. Department of Education be and the same hereby is approved. FURTHER RESOLVED, that the vice president for finance or other responsible officers of the University be authorized to sign the agreement and any other documentation necessary to effect the loan with the U.S. Department of Education for purposes of energy conservation.

3. Action: The Resolution on the Replacement of the Cooling Tower at 1920 Commons was approved as follows:

Intention:

The cooling tower located at 1920 Commons needs to be replaced, as it is at the end of its useful life.

The administration proposes to replace the cooling tower by the spring of 1984. Funds have been budgeted in Fiscal 1984 to cover the replacement, which is expected to cost $345,000. The costs will be allocated to residences' budget ($275,000) and to the deferred maintenance budget ($70,000).

RESOLVED, that the replacement of the cooling tower at 1920 Commons, in accordance with the proposal presented to the meeting, be and hereby is approved and the vice president for finance or other appropriate officers of the University be and they hereby are authorized to proceed with the replacement and to execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such replacement as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to effect such replacement.

4. Action: The Resolution on the Installation of an Elevator in the Quadrangle Dormitories was approved as follows:

Intention:

The University has been modifying its buildings so that they are accessible to handicapped persons and for this purpose proposes to install an elevator in the Quadrangle Dormitories.
The administration proposes to install an elevator at an estimated cost of $300,000, with funding for the project provided from the Handicapped and Governmental Compliance Fund. The elevator would be installed during the period July 1984 - January 1985.

RESOLVED, that the installation of an elevator in the Quadrangle Dormitories, in accordance with the proposal presented to the meeting, be and the same hereby is approved and the vice president for finance or other appropriate officers of the University be and they hereby are authorized to proceed with the installation and to execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such rehabilitation as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to effect such installation.

5. Action: The Resolution on Quad Dorm Renovation: Phases V, VI, VII, and VIII, and McClelland Lounge was approved as follows:

Intention:

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

In Phases I through III, the University completed renovation of 14 houses: (1) Ware College House (incorporating Memorial Tower, N.Y. Alumni, Carruth, Lippincott, Smith Hopkinsian, Fitler, and Neale), $3.9 million (1977 $) funded by gifts and $1.1 million PHEFA Loan; and (2) Kresge House (incorporating McKean, Baldwin '87, Craig, Poerderer, and Franklin), $2 million (1979 $) funded by Kresge ($25), private gifts ($1.3 million), and University Capital Budget ($45).

Phase IV consists of the rehabilitation of five houses (Leidy, Brooks, Bodine, Morgan, and Wilson). It was approved by the Trustees in January of 1983 and is to be completed during the summer 1984.

The administration proposes to rehabilitate the remainder of the Quadrangle over three summers, 1985, 1986, and 1987. The rehabilitation includes: energy-saving measures; a new electrical distribution system, including emergency lighting; new plumbing and replacement or repair of showers and other fixtures; pointing of brick and masonry; and plastering and painting of rooms and corridors.

The rehabilitation would be divided into two parts. The first part includes McClelland Lounge and ten houses (Smith, Cox, Rodney, Bishop White, Birthday, Mask & Wig, Provost Tower, Graduate, Clelland, and Thomas Penn).

The second part includes landscaping, exterior restoration of the entire Quadrangle and ten houses (McIlhenny, Warwick, Ward, Chestnut, Ashurst, Magee, Butcher, Spokeman, Class of 1928, and Morris).

The total project is estimated to cost $26,250,000 and would be financed by gifts and general University long-term borrowings. Repayment of the borrowings would be obtained from residential room charges throughout the University.

To complete the project on time, it is essential that the preparation of schematic designs and drawings proceed immediately at a cost of $300,000. These drawings will be
funded from general University funds, with the intention of repayment when a general University borrowing to finance the project is completed.

RESOLVED, that the preparation of schematic designs and drawings for the rehabilitation of McClelland Lounge and ten houses in the Quadrangle, in accordance with the proposal presented to the meeting, be and the same hereby is approved and the vice president for finance or other appropriate officers of the University be and they hereby are authorized to proceed with such renovation and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such renovation as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to effect such renovation.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the renovation project authorized by the foregoing resolution which are not funded from the sources specifically cited to the Budget and Finance Committee or by gifts expressly designated for such purpose be paid or, if previously paid or discharged out of operating funds, reimbursed out of the process of the sale of a contemplated issuance of tax-exempt notes which it is proposed will be effected through a government agency to finance capital projects. To the extent the project is thus financed through issuance of tax-exempt notes, the retirement of the debt principal and associated interest expense shall be the responsibility of the Office for Residential Life, to be discharged within the established amortization period for the financing.

6. Action: The Resolution on the Mudd Plant Sciences Building was approved as follows:

Intention:

The administration proposes to construct a new facility to house the Plant Sciences Institute. The program calls for approximately 18,000 gross square feet for laboratory and research space and two new greenhouses of 7,000 gross square feet.

The estimated project cost is $5,666,100. A gift of $1,000,000 has been pledged by the Seeley Mudd Foundation. The administration is seeking additional gifts to support the building. It is, however, desirable to proceed at this time with working drawings, at a cost of $300,000, and the pre-ordering of long-lead items totaling $250,000. Funding, amounting to $550,000, will be provided by an advance from general University funds, to be repaid from gifts, operations, and debt financing.

RESOLVED, that the formulation of working drawings and the pre-ordering of long-lead items, in accordance with the proposal presented to the meeting, be and the same hereby are approved and the vice president for finance or other appropriate officers of the University be and they hereby are authorized to proceed with such formulation and execute such contracts and incur such expenses and obligations--not, however, substantially in excess of the estimated cost of such formulation as presented to the Budget and Finance Committee--as may in their judgment be necessary or desirable to effect such formulation.

FURTHER RESOLVED, that all costs and expenses incurred in the formulation of working drawings and the pre-ordering of
long-lead items authorized by the foregoing resolution which are not funded from the sources specifically cited to the Budget and Finance Committee or by gifts expressly designated for such purpose be paid, or, if previously paid or discharged out of operating funds, reimbursed out of the proceeds of the sale of a contemplated issuance of tax-exempt notes which it is proposed will be effected through a government agency to finance capital projects. To the extent the project is thus financed through issuance of tax-exempt notes, the retirement of the debt principal and associated interest expense shall be the responsibility of the College of Arts and Sciences, to be discharged within the established amortization period for the financing.

7. Action: The Resolution on the Amendment of the Endowment Income Spending Rule was approved as follows:

Intention:

Since 1 July 1980 the Associated Investment Fund (AIF) of the University of Pennsylvania has followed a spending rule policy under which only a specified percentage of actual endowment income may be spent each year. The difference between actual earnings of the Fund and the amount made available for spending is reinvested through the purchase of additional AIF shares for each fund in a "companion fund." "Companion" (reinvestment) fund shares also earn income, and as a portion of that becomes available for spending, there is a compounding effect.

Under the present and proposed hospital reimbursement programs, the reinvestment of the hospital's endowment income under the spending rule has a negative impact on recoveries from third party payors. For hospital reimbursement purposes, true, unrestricted endowment income does not serve to offset interest expenses. But income earned on unrestricted funds does serve to offset expenses and reduce reimbursement. Income earned on the reinvested endowment income, therefore, is not sheltered for reimbursement purposes and must serve to offset interest expense. Although the purpose of the spending rule is to protect the purchasing power of endowments, this goal is undercut inasmuch as the Hospital effectively loses 65 percent of every dollar of income earned on reinvested shares.

To accomplish the stated purpose of the spending rule within the constraints of hospital reimbursement principles, the University Administration supports the recommendation of the hospital that the hospital be permitted to withdraw from the AIF the reinvested funds which have accumulated as shares in the "companion fund," and deposit them in the hospital's unrestricted depreciation fund. This proposed action has been reviewed and approved by the Trustee Hospital Finance Committee and HUP Trustee Board.

RESOLVED, that the hospital's accumulated "companion fund" shares of the Associated Investment Fund, as of January 1, 1984, be withdrawn and deposited in the hospital's unrestricted depreciation fund.

FURTHER RESOLVED, that in the future the hospital's endowment funds invested in the Associated Investment Fund may be exempt from the spending rule and that all such amounts, which would normally be invested in "companion funds," be deposited to the hospital's unrestricted depreciation fund, that all earnings be allowed to stay within the fund, and that utilization of this depreciation fund for extraordinary capital expenditures be approved by the Budget and Finance Committee of the Hospital Board of Trustees.
8. Action: The Resolution on the Financing of the Hospital of the University of Pennsylvania's Phase IV Construction Project was approved as follows:

Intention:

Pursuant to authority previously granted, the appropriate officers of the University and The Hospital of the University of Pennsylvania (HUP) have applied to The Hospitals and Higher Education Facilities Authority of Philadelphia (Authority) for, and have negotiated the preliminary terms and conditions relating to, a proposed offering by the Authority of approximately $115,300,000 principal amount of hospital revenue bonds (the "1984 Bonds") to be payable from the revenues of HUP and guaranteed by the University. The proceeds are to be used, along with other funds to be supplied by the University, to finance a project (the "Phase IV Project"), consisting of the demolition of certain obsolete buildings of HUP, construction of a fifteen level clinical services building, and the renovation of certain other buildings of HUP, all as outlined in a proof dated 1-18-84 of a preliminary official statement (the "Preliminary Official Statement Draft") deposited with the Secretary of the Trustees.

The University, through the Hospital, will contribute to the cost of financing and completing the Phase IV Project an aggregate of $14,700,000 (the "University (HUP) Contribution"), of which $4,000,000 is to be payable upon delivery of the 1984 Bonds, and the remaining $10,700,000 is to be paid in installments during the construction period of the Phase IV Project and is to be secured by a letter of credit (the "Letter of Credit") in the amount of $10,700,000.

On or about January 30, 1984 the Underwriters, who propose to market the issue, will be in a position to present for the consideration of the University the final proposed terms on which the 1984 Bonds may be marketed, including the bond maturities, interest rates, purchase price payable by the Underwriters and the initial public offering price. The administration seeks to establish an Ad Hoc Committee of the Trustees to approve the specific terms and conditions of this bond offering.

RESOLVED, that an offering of not more than $115,000,000 principal amount of 1984 Bonds (as more fully described in the Preliminary Official Statement Draft), bearing interest at an average annual rate not to exceed 10-1/2 percent, and the sale of such Bonds to Underwriters at a price representing a discount of not more than 3 percent of the principal amount thereof be and the same hereby are authorized and approved, and the Vice President for Finance together with other officers of the University and of the Hospital be and they hereby are authorized and directed to proceed with such offering and sale, subject to approval of the final terms and conditions thereof, and of the form and content of all documents relating thereto by the Ad Hoc Committee as contemplated by the following resolutions.

FURTHER RESOLVED, that the making by the University of the University Contribution (as more fully described in the Preliminary Official Statement Draft) in an amount not to exceed $15,000,000, including the obtaining of a Letter of Credit from the Industrial Valley Bank and Trust Company or such other bank as the Ad Hoc Committee may determine, be and the same hereby is authorized and approved, subject to approval by the Ad Hoc Committee of the final terms and
conditions and of the form and content of all documents relating thereto.

FURTHER RESOLVED, that pursuant to Section 4.01 of the Statutes of the University there is hereby created a Phase IV Project Ad Hoc Committee (the "Ad Hoc Committee") to consist and be composed of the Chairman of the Board of Trustees, Paul F. Miller, Jr.; the Chairman of the Truste Board of the Hospital of the University of Pennsylvania, Samuel H. Ballam, Jr.; the Chairman of the Trustee Board of the University, John W. Eckman, Jr.; and the Chairman of the Investment Board of the University, John B. Neff; and there is hereby delegated to such Committee, to the extent necessary, the full power of the Board of Trustees to act on behalf of the University with respect to the matters referred to in the foregoing resolutions including, without limiting the generality of the foregoing:

(a) giving final approval to the form of Official Statement and of the following documents referred to in the Draft Preliminary Official Statement: the Lease, the Sublease, the Guaranty, and the Indenture.

(b) subject to the principal, interest and discount limitations in the foregoing resolutions approving and authorizing (i) the several maturities of the 1984 Bonds, the aggregate principal amount of such bonds of each such maturity to be issued, the respective interest rates to be borne by such bonds of each such maturity, and the terms of the sinking fund and the funded depreciation account for such bonds, (ii) the underwriting fees or discounts and the public offering price of the 1984 Bonds, (iii) the terms and provisions of a Purchase Contract providing for the sale of the 1984 Bonds to the Underwriters,

(c) approving and authorizing the obtaining of the Letter of Credit, the making of the University Contribution and the distribution of a definitive Official Statement with respect to the 1984 Bonds, and

(d) the giving of such further approvals or authorization, or the taking of such additional action as the Ad Hoc Committee may determine to be necessary or advisable to implement or carry into effect the proposed offering and sale of the 1984 Bonds and the financing of the Phase IV Project.

FURTHER RESOLVED, that the Executive Director of the Hospital be and hereby is authorized to sign the official statement on behalf of the trustees of the University.

FURTHER RESOLVED, that the Vice President for Finance of the University be and hereby is authorized to sign and execute all other documents pursuant to this resolution.

In introducing the above resolution, Mr. Eckman observed that while the feasibility of financing Phase IV of the HUP construction program through revenue bonds is based on the revenues of the Hospital, the bonds are guaranteed by the University. Mr. Ballam added that he expects the bonds will be priced at 9.8 percent tax free for 30 years. He said he hoped they would be rated AA.
G. External Affairs

Mrs. Wexler reported that James Shada, associate vice president for Commonwealth Relations, had provided the External Affairs Committee with an update on the University’s relations with the state government. "His impression is that they are better than they have been in some years," she said. "We will be asking for an appropriation of more than $27 million for FY'85 or for 14.4 percent more than we requested for FY'84," she continued. "Mr. Shada is relatively confident that, at the least, the General Assembly will agree to an increase that will more than match the rate of inflation."

Mrs. Wexler then commented on the work of the Commonwealth Council headed by Mr. Wolf. "We were reminded that this largely alumni network must be kept in contact with the University if members are to be responsive when we ask for their help," she said. "It will take staffing, but the committee was assured that the administration is addressing the issue."

The External Affairs chairman observed that the major part of the committee meeting had been devoted to discussing communications. "In the past," she said, "we've been very hard on the University because of what seemed to us a lack of integration in its communications with internal and external publics. But now, I think, committee members feel very good about the progress the University has made in achieving an integrity of form and substance in addressing both groups." She noted that they had heard a presentation on the communication of The Penn Plan which she said had benefited from "an integration of the marketing and planning process. It is an example of pro-active communications," Mrs. Wexler continued, "whereas in its communications about the ATO case, the University had to be reactive." She mentioned that the committee had examined an Inquirer editorial expressing support and sympathy for President Hackney which she described as a "very important statement. On the whole," she concluded, "the trustee members of the External Affairs Committee support the University in taking the risk of being more rather than less open even with all the fallout there may be legally and in other ways. But we also recognize that this is never done by formula."

D. Facilities and Campus Planning

Mr. Arader reported that the Facilities and Campus Planning Committee had reviewed all the construction and reconstruction projects presently underway on campus. The projected cost totals $20 million. He noted that the committee also discussed the status of Sansom Street matters, the development of the PGH site, and the University's success in conserving of energy. "We had a
slide presentation on the university's architectural heritage," he continued, "and George Thomas of the architecture department led a discussion of the need for restoration and maintenance of campus buildings. We talked about what steps should be taken now so that when repairs are made in the future, they will be made with as much feeling for architectural intent as is consistent with budgetary limitations."

E. Nominating Committee

Mr. Dorrance introduced three resolutions.

1. Action: A Resolution on the Election of Edward Jefferson as a Term Trustee was approved as follows:

RESOLVED, that Edward G. Jefferson be elected a term trustee for five years, effective 20 January 1984.

2. Action: A Resolution on the Reelection of Walter G. Arader was approved as follows:

RESOLVED, that Walter G. Arader be reelected a term trustee for a five-year period, effective 20 January 1984.

3. Action: A Resolution on the Reelection of J. Paul Lyet as a Term Trustee was approved as follows:

RESOLVED, that J. Paul Lyet be reelected a term trustee for a five-year period, effective 20 January 1984.

F. Resources Committee

Mr. Lyet reported that subscriptions for the first six months of FY'84 have increased 17 percent over the total made during the first half of last year. They amount to $32.6 million. He noted that while the report in the meeting book indicated that support from alumni was off slightly, this indication was misleading. Last year a $2.5 million subscription, which Mr. Lyet said the Development Office had "a solid indication should be counted as an outright gift," was, in large measure, converted by the donor to a bequest. "If the original entry had not been made," the Resources chairman said, "alumni subscriptions through 12 January would actually be 49 percent ahead of last year. Subsequent reports," he noted, "will be adjusted "to reflect a truer comparison."

Mr. Lyet went on to say that Annual Giving receipts are especially encouraging. "Membership in the Benjamin Franklin Society is up 10 percent," he observed, "with significant growth in the number of donors, from 35 last year to 66 so far this year, who contribute between $2,500 and $5,000." He pointed out that in the first six months of FY'84, Annual Giving monies surpassed total Annual Giving receipts for FY'77. Institutional contributions, he said, are 38 percent ahead of last year, and there is an "impressive rise" in corporate giving.

"These numbers don't just happen," Mr. Lyet said. "They are the function of a very well organized effort. We can be extremely
proud of our development staff. Furthermore, our trustees are development conscious. The Development Committee has been expanded, and we're getting wide participation in our work." He mentioned, as an example, calls Mrs. Mainwaring had made recently in Palm Springs, California. "We're blessed, too," he continued, "by a president who really likes to meet with prospects, and he's very effective. The Trustees are enormously pleased because that is the kind of leadership it takes to get results."

Mr. Lyet reported that at the Development Committee meeting on 19 January, Dr. Webber had introduced a plan for building a more comprehensive and cohesive national network of influential alumni to carry Penn's message to potential donors. "He proposed the formation of a President's Council of the University of Pennsylvania," the chairman said. "It would incorporate the existing Philadelphia, New York, Chicago, and California major gift committees. Additional committees, representing New England, the Southeast, and the Southwest, will be established under the Council's umbrella, and I believe," Mr. Lyet continued, "that the Council will give new impetus to the University's quest for increased support. Furthermore, the effort will be invested with the prestige of the President's Office." He said members of the regional development committees will enjoy automatic membership in the Council, and the group's executive committee will be vested in the Trustees' Development Committee. "We all approved the Council concept," he concluded, "and we have urged the Development Office to prepare specific plans for implementing it."

G. University Responsibility

Mr. Brown reported that the University Responsibility Committee had considered two resolutions proposed by student liaison Vicki Bernstein related to the committee's responsibility for monitoring the performance of companies in the portfolio that do business in South Africa. "The first resolution," he explained, "deals with sales by American companies to the South African police and military, the main enforcers and defenders of the apartheid policies of the South African government. The committee recognized that there is a difference between selling typewriter ribbons and selling munitions," he said. "But as a matter of general policy, members felt that American companies should be encouraged not to sell to the South African police and military." He added that it "seemed consistent with the thrust of the Rockefeller Commission Report" to cause shares of stock in the University's portfolio to be voted in support of shareholder proposals that ask management not to knowingly make such sales. "In such instances," Mr. Brown continued, "the University Responsibility Committee should advise management of its vote."
Furthermore, when it comes to the attention of the committee that a company in Penn's portfolio has made or intends to make sales to the South African police or military, the University should advise the company of its policy concerning the matter."

The chairman noted that both the Resolution on Criteria for Divestment Related to Sales to the South African Police or Military and the Resolution on Criteria for Divestment Related to New Entry or Expanded Investment had the unanimous endorsement of members of the University Responsibility Committee who had attended the meeting, as well as that of Trustees Dickey and Higginbotham who were not there. Judge Higginbotham had been reached by Mr. Brown before the committee's discussion and Mr. Dickey was contacted shortly after the meeting.

Action: The Resolution on Criteria for Divestment Related to Sales to the South African Police or Military was approved as follows:

RESOLVED, that if a company in the University's portfolio that knowingly sells goods to the South African police or military does not change its policies or otherwise respond satisfactorily to the Committee after a program of communication with management for a reasonable period of time, the Committee on University Responsibility is authorized to consider such sales by the company a factor among others in determining whether the company should be a candidate for divestment.

In introducing the second resolution considered by the University Responsibility Committee, Mr. Brown observed that in 1982 the Trustees authorized the committee to cause Penn's share in companies to be voted in support of shareholders' proposals that companies not engage in new or expanded investment in South Africa. "Consistent with this position and the Rockefeller Commission Report," he said, "when it comes to the attention of the committee that a company in the University's portfolio is contemplating such a substantial new entry or expanded investment, it is our policy to advise the company of our policy. We now propose that the failure of a company to change its policy becomes one criteria, among others, for divestment."

Action: The Resolution on Criteria for Divestment Related to New Entry or Expanded Investment was approved as follows:

RESOLVED, that if a company in the University's portfolio which engages in or plans to engage in a substantial new entry or expanded investment in South Africa does not change its policies or otherwise respond satisfactorily to the Committee on University Responsibility after a program of communication with management for a reasonable period of time, the Committee is authorized to consider such new entry or expanded investment in South Africa a factor among others in determining whether the company should be a candidate for divestment.

SECRETARY
H. Investment Board

Mr. Neff observed that the year 1983 had been "chameleon like. The first half was torrid," he said. "In technology and, particularly, in the new issue market, imagination was rewarded, even over-rewarded, but as inevitably happens in the investment business, one ultimately pays the price. The comeuppance came in the last half of the year," he continued, "though the market was reasonably stable. Still there was some regression in those areas that had become somewhat overdone and, actually, some fundamental disappointments." Mr. Neff noted, however, that the Associated Investments Fund (AIF) had "stayed out of trouble. We do well at the inflection point of a changing market," he said. "The last half of the year was a good one for us and, somewhat uncharacteristically, so was the first half."

The chairman went on to say that despite an increase in the per share value of the AIF and an advance in the market generally, the yield on common stocks in the portfolio has held up rather well. "For example," he said, "at the end of 1982 the yield on the common stock portion was 7 percent and, as of 16 January 1984, it was 6.8 percent. Coupled with a 9 percent growth rate, we have a 16 percent total return," Mr. Neff noted. He said the price-earnings ratio is in the low sixes on 1984 earnings, which represents a 35 percent discount to the market multiple.

Since the October Stated Meeting, the chairman reported, 55 percent of the AIF market transactions were concentrated within the telephone industry. "We sold about 60 percent of the new AT&T when-issued stock," he said, "and funneled those monies into three of the seven new Bell regional holding companies—Nynex, U.S. West, and Southwestern Bell. The yields at the time of purchase were around 9.6 to 9.8 percent and the stocks sold in the low sixes on the multiple side. The growth rate should be about 7 percent for a 16 percent total return."

Mr. Neff pointed out that since 31 December 1979, the AIF, on a total return basis, had appreciated by 110 percent per share. During this period, the common stock portion of the Fund advanced 156 percent (total return) compared to a 90 percent rise in the popular stock averages. On the fixed income side, the value of AIF bonds rose 68 percent over the past four years compared to a 49-percent increase in the Salomon Brothers High Grade Bond Index.

The chairman observed that he does not expect that the AIF to continue to appreciate at so high a rate in the immediate future. "The equity market is fairly valued," he said, "and the bond market is perhaps a touch on the undervalued side. We've had four years of some accomplishment to put on top of five good years during which the Fund was under the excellent tutelage of Mr. **SECRETARY**
Stanger. If The Wall Street Journal wants to look at our 10-year record, we're ready."

On a personal note, Mr. Neff thanked the Trustees for awarding him an honorary master of arts degree at an after-dinner ceremony the previous evening. He added that the management of the AIF was "not a one-man effort," and he pointed particularly to the contributions of Mr. Miller, Richard Worley, Scott Lederman, and Aubine Teunier.

Mr. Miller then commented on the relative standing of the University's endowment on the basis of total return performance. He said that during the last year the AIF ranked in the 15th percentile of major university endowment funds, for the past three years, it was in the first or highest percentile, for the past five years, it was in the 11th percentile, and on a 10-year basis, it ranked in the 33rd percentile. Mr. Neff added that according to an article in the 20 January Wall Street Journal, 73 percent of institutional portfolios underperformed the S & P in 1983.

V. Overseers and Other Boards

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

RESOLVED, that Francis E. Carey, Jr. be appointed to the Board of Overseers of the School of Arts and Sciences for a three-year term, effective 20 January 1984.

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

RESOLVED, that Glen A. Tobias be appointed to the Board of Overseers of the School of Law for a three-year term, effective 20 January 1984.

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

RESOLVED, that William Ruder and Michael L. Tarnopol be appointed to the Board of Overseers of the Wharton School for three-year terms, effective 20 January 1984.

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

RESOLVED, that the following individuals be appointed for one-year terms to the Board of Managers of The Wistar Institute, effective 20 January 1984:

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

Respectfully submitted,

Mary Ann Meyers
Secretary of the University