A Stated Meeting of the Trustees was held on Friday, 17 January 1986, in the Auditorium of the Wistar Institute. Trustees attending included: Arlin M. Adams; David C. Auten; Samuel H. Ballam, Jr.; Gordon S. Bodek; Richard P. Brown, Jr.; Susan W. Catherwood; Henry M. Chance, Jr.; Gloria Twine Chisum; Constance Clayton; D. Michael Crow; Charles D. Dickey, Jr.; F. Eugene Dixon, Jr.; G. Morris Dorrance, Jr.; John W. Eckman; Robert A. Fox; H. Samuel Greenawalt; Sheldon Hackney; Linda White Hall; John P. Hellwege; A. Leon Higginbotham, Jr.; Reginald H. Jones; Carl Kaysen; Leonard A. Lauder; Robert P. Levy; William Thomas Lockard; David J. Mahoney; Margaret R. Mainwaring; Paul F. Miller, Jr.; Paul S. Miller; Anthony S. Minisi; John B. Neff; William D. Patterson; John H. Porter; Ralph S. Saul; Bernard G. Segal; Alvin V. Shoemaker; Wesley A. Stanger, Jr.; Robert L. Treascher; Frederick J. Warren; Jacqueline G. Wexler; Charles S. Wolf; and D. Robert Yarnall, Jr. Others present included: John Anderson; Ann Bailey; James J. Bishop; Valarie Swain Cade; Michael Carroll; Richard C. Clelland; Ann Duffield; Thomas Ehrlich; Drew Feldman; Karen Gaines; Jeffrey Goldberg; Michael Gordon; Shelley Green; Gwenyth Jackaway; Stanley Johnson; Jodi Kerper; George Koval; Scott Lederman; Marshall Ledger; John Logan; Robert G. Lorndale; Lynn Manko; Alix Marduel; Allan Merrill; Mary Ann Meyers; David Morse; James Newsanger; Helen O’Hannon; William Owen; Steven Poskanzer; Sherman Regiani; Lou Schachter; Donald Shubman; Anthony Tamazinis; Russ Walker; Jim Whelan; and Marna Whittington.

I. Call to Order

Chairman Miller called the meeting to order and an invocation was offered by Chaplain Johnson. The minutes of the 25 October 1985 meeting were approved as written by the secretary.

II. Chairman’s Report

Mr. Miller extended a special welcome to guests who were present in the meeting room and to those observing a telecast of the meeting in Room 110 of the Annenberg School. He then offered resolutions of appreciation to three trustees whose terms were ending and whom he noted had rendered extraordinarily valuable service to the University and to the board.
A. Action. A Resolution of Appreciation to H. Samuel Greenawalt was approved as follows:

Son of a Pennsylvania alumnus, brother of a Penn graduate, cousin of our colleague, Charles S. Wolf, and himself a 1951 alumnus of the Wharton School, H. Samuel Greenawalt, Jr. was an alumni trustee from 1974 to 1979 and has served as a term trustee for the past five years. He has been an active member of the Alumni Affairs Committee, External Affairs Committee, Student Life Committee, Resources Committee, and Investment Board. He has chaired the Athletic Advisory Board since its formation four years ago and is a member of the President's Council.

One of the illustrious corps of "Munger Men," he excelled in football as an undergraduate, playing in the Blue-Gray Game in 1950. He played varsity squash and was a member of Sigma Chi and the Interfraternity Council. An alumni leader, he has been president of the Alumni Club of Michigan and chairman of the Annual Giving telethon.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the administration, faculty, students, and alumni of the University, express their thanks to H. Samuel Greenawalt, Jr. for his service.

B. Action. A Resolution of Appreciation to William D. Patterson was approved as follows:

William D. Patterson, Wharton Class of 1943, was president of the General Alumni Society and ex officio trustee from 1968 to 1970, then served five years as an alumni trustee, and has just completed ten years as a term trustee. The prodigious number of Trustee committees to which he has lent his counsel included the Alumni Affairs Committee, Nominating Committee, University Development Committee, Facilities and Campus Planning Committee, Student Life Committee, and the Hospital Board. He served on both the University Committee and the Trustee Subcommittee on Recreation and Intercollegiate Athletics.

He was the only president of the General Alumni Society whose father also held that position. His wife served as a member of the Board of Overseers of the School of Veterinary Medicine, and one of their sons is a Wharton alumnus. As an undergraduate, Bill Patterson was a member of Mask and Wig, Phi Gamma Delta, and Sphinx Senior Society and served as manager of the track team. A tireless alumni worker and willing leader, he has been president of the Pennsylvania Alumni Society of Delaware, general chairman of Alumni Annual Giving, president of the Alumni Clubs, and chairman of the Committee of a Thousand. He received the Alumni Award of Merit in 1966.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the administration, faculty, students, and alumni of the University, express their thanks to William D. Patterson for his service.

C. Action. A Resolution of Appreciation to Linda White Hall was approved as follows:

The recipient of a Penn M.B.A. degree in 1981, Linda White Hall has completed a three-year term as a recently graduated alumni trustee, elected by the graduate-professional classes of 1981 and 1982. She served ably as a member of the Resources Committee, Student Life Committee, and Budget and Finance Committee.

Coming to Penn with a bachelor's degree from the University of Virginia, she became an outstandingly active graduate student. She was president of the Black MBA Association, a Wharton Graduate Association representative, fellow of the Council for Opportunity in Graduate Management Education (COGME), and student trustee of the Board of Trustees of COGME. She applied her talents and enthusiasm to her work as a student recruiter for the Office of Admissions and as a finance teaching assistant in the Community-Wharton Education Program.
RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the administration, faculty, students, and alumni of the University express their appreciation to Linda White Hall for her service.

III. President's Report

A. Dr. Hackney thanked the Trustees for the time and effort individual members had devoted to the "very complex question" of investment in companies doing business in South Africa. The president said that as he had observed their thoughtful process of policy review over the past months, he had noted more than anything else their "deep caring for Penn."

B. Academic Report

Mr. Ehrlich observed that the "academic enterprise was not only active and well but flourishing." He offered a resolution on a new graduate degree in oral biology, which he noted had been endorsed the previous day by the Academic Policy Committee. The provost said it would be a small program with a strong research thrust.

1. Action. A Resolution on Authorizing the Conferral of the Degree of Master of Science in Oral Biology was approved as follows:

Intention:

The School of Dental Medicine has proposed that it be authorized to confer the professional degree of Master of Science in Oral Biology. To be eligible for this degree, a candidate will have a dental degree (D.M.D. or D.D.S. or equivalent) or, in rare instances, the M.D. or D.V.M. The candidate will then successfully complete a course of study and research under the supervision of the faculty in the School of Dental Medicine.

The program will train individuals from the United States and developing countries as clinical scholars in oral biology. Penn's Oral Biology Program will be one of a few in the United States; other institutions offering this degree include Harvard and the University of Southern California.

The proposal to grant the professional degree of Master of Science in Oral Biology at Penn has been approved by the School of Dental Medicine's Faculty Senate. The proposal for granting the degree also was reviewed by external consultants during the summer of 1985. The recommendations of the external consultants read, in part: "The faculty listed in the proposal are, as a whole, a distinguished group with fine reputations in clinical specialties and/or in related biomedical science." They went on to state: "We recommend that the School of Dental Medicine of the University of Pennsylvania proceed with the proposed program for a Master (of Science) degree in Oral Biology." The proposal is supported by the Provost and the President.

RESOLVED, that, upon the recommendation of the President and Provost, the degree of Master of Science in Oral Biology, as proposed by the School of Dental Medicine, be and hereby is approved.

Mr. Ehrlich went on to cite for special attention four persons being recommended for promotions or appointment to tenure: John L. Hassan as associate professor of mechanical engineering and applied mechanics; Ruth McGirk as professor of nursing; Leon Axel as associate professor of radiology; and Ian MacMillan as professor of management.

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2. Action. A Resolution on Appointments, Leaves and Promotions was approved as found on pages 1 through 24 of the meeting book.

C. Financial Report

Mrs. O'Bannon reported that as of the end of the first six months of FY'86, the University was projecting a modest surplus of $303,000 in its unrestricted budget. She noted that savings in salary expense and utility costs and gains in indirect cost recovery, gift and sales revenue, and tuition revenue contributed to the positive forecast. The senior vice president observed that for the first five months of the current fiscal year, the Hospital was projecting an excess of revenues over expenses of nearly $7.2 million, which is some $3.2 million greater than budget and made possible by increases in admissions and in Medicare Prospective Payment System and Blue Cross revenues, as well as savings in operating expenses. For the three month period ending 30 September 1985, the Clinical Practices of the University of Pennsylvania had an excess of revenues over expenses of $4.3 million, according to Mrs. O'Bannon.

IV. Overseers and Other Boards

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

RESOLVED, that Lee F. Driscoll, Jr. be appointed to the Board of Overseers of the School of Arts and Sciences for a three-term, effective 17 January 1986.

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

RESOLVED, that Louise W. Brown be appointed to the Board of Overseers of the School of Nursing for a three-year term, effective 17 January 1986.

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


D. Action. A 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 17 January 1986:

Dr. J. Thomas August; Mr. George B. Barnard; Dr. Thomas Peter Bennett; Mr. Frank G. Binewanger, Sr.; Mr. Herbert W. Blades; Mrs. T. Wistar Brown; Mr. John T. Dorrance, Jr.; Dr. Harry Eagle; Mr. Robert A. Fox; Mr. Harris N. Hollin; Dr. Michael Katz; Dr. George B. Koelle; Dr. Thomas W. Langfitt; Mr. W. Thacher Longstreth; Ms. Faye S. Olivieri; Dr. Ruth Patrick; Mr. Ray T. Perallo; Mr. Richard S. Ravenscroft; Dr. Donald Vail Rhoads; Mr. Gerald B. Rorer; Mr. Isadore M. Scott; Mr. E. Robert Thomas, Jr.; Mr. Owen Jones Toland, Jr.; Mr. William R. Tubbs (ex officio); Mr. Howard S. Turner; Dr. George F. Vande Woude; and Mr. David V. Wachs.
E. Action. A Resolution on Reappointments to the Board of Trustees of the University of Pennsylvania Press was approved as follows:

RESOLVED, that John W. Fawcett, III and Mary Ann Meyers be reappointed as members of the Board of Overseers of the University Press for three-year terms, effective 17 January 1986.

V. Trustee Committee Reports

A. HUP Board

Mr. Ballam reported that HUP was in the process of searching for a replacement for Charles P. Buck, Jr. who resigned as executive director of the Hospital at the end of last year. He mentioned that the HUP Board had recently received the Hospital's long-range planning report, which included projections of HUP's competitiveness through the end of the decade. He said that the Hospital was looking at various arrangements for delivering health care and reducing costs. "Malpractice," Mr. Ballam reported, "was under close scrutiny in terms of the cost to the University" at the same time every effort was being made to reduce the incidence by improving patient care.

A. Action. A Resolution on Reappointments to the Trustee Board of the Hospital of the University of Pennsylvania was approved as follows:

RESOLVED, that Samuel H. Ballam be reappointed as chairman of the Trustee Board of the Hospital of the University of Pennsylvania and that the following trustees be reappointed as members for one-year terms, effective 17 January 1986: Charles D. Dickey, Jr., G. Morris Dorrance, Jr., Margaret R. Mainwaring, and Anthony S. Minisi.

B. Investment Board

Mr. Neff reported that there is 15 percent liquidity in the equity portion of the Associated Investment Funds (AIF). He further noted that the Fund had sold two call options. "To a prudent person," he said, "the market seems a bit ahead of itself, kind of pushy, and out of character with the basic economic backdrop in that corporate earnings have not moved up much at all in 1985. On a total return basis, the Standard and Poor 500 Stock Average appreciated 31 percent last year," he continued. "and as we read the tea leaves, there won't be much further change in earnings in 1986. At 12 times earnings, and with box-car numbers in recent years, it would seem to us that discretion is the better part of valor." Mr. Neff went on to say that the total market value of the AIF on 13 January 1986 was $402.3 million as compared to $134 million six years ago. "At the end of 1985, for the first time in five years, the per-share increase in the common-stock portion of the Fund was about a point behind the S&P," he said, "but our bonds did a bit better than the bond index, so in overall appreciation, the AIF did about as well as the index averages." Mr. Neff observed that since 31 December 1979, the AIF has increased by 203.5 percent per share (total return) for an annual total return of about 20 percent. "The value of
our common stocks rose 289.2 percent during that period," he said, "compared with a 156-percent increase in the S&P for an annual edge of over 8 percentage points. It is an edge that stems from our ability to sample a complete range of investment opportunities." Mr. Neff said that his "best guess" for 1986 was that the market "could go through some digestion bordering on indigestion, and we may be fortunate to see a plus for the year." Mr. Miller said that it was his belief that the growth in the Penn endowment during the past six years exceeds the growth in endowment of any institution in the country.

C. Audit Committee

Mr. Dickey reported that the Audit Committee had heard reports from Coopers and Lybrand, as the University's internal auditors, and was satisfied that "the auditing function is properly focused."

1. Action. A Resolution on Appointment of Auditor for FY'86 was approved as follows:

RESOLVED, that Coopers & Lybrand be and hereby are appointed as accountant to audit the books of the University of Pennsylvania for Fiscal Year 1986.

D. Academic Policy

Dr. Kaysen reported that in a plenary session the Academic Policy Committee heard the new dean of the School of Arts and Sciences, Michael Aiken, talk about the "plans, goals, and organizational machinery" he has developed "to move the faculty's activities from their present excellence to a level of distinction." The chairman noted that the dean's aspirations extended to every facet of the School, including undergraduate education, graduate education, research, and continuing education. "Though Dr. Aiken has only been in office for a single semester, he has demonstrated that he is making progress," Dr. Kaysen said, "and I speak for the Committee in congratulating the provost and president for making an excellent choice and ourselves for having an insightful, forceful, energetic, and bright dean."

E. Budget and Finance

Mr. Eckman offered nine resolutions, which he noted had been discussed and approved by the Budget and Finance Committee.

1. Action. An Amendment to the Resolution of 21 June 1985 on the Construction of the Wharton Executive Education Center was approved as follows:

Intention:

On 21 June 1985, the Trustees approved the expenditure of $1,250,000 for A/E fees for design work for a multi-use facility which the University proposes to construct on the site of a parking lot on the northeast corner of 38th and Spruce Streets. The
facility will house an Executive Education Center to be used primarily by the Wharton School and estimated to cost $17,600,000, a Career Planning and Placement Office, estimated to cost $3,000,000, and a Computer Resource Center, estimated to cost $800,000. Landscaping and contingencies are estimated at $1,600,000 for a total estimated project cost of $23 million. The Center and attendant facilities will occupy approximately 110,000 gross square feet.

Funds have been identified for the entire project. The Wharton School anticipates raising $7,600,000 in gifts and repaying $10,000,000 borrowed in the recent bond issue over a 25-year period at 9.1 percent. The University expects to raise the $3,000,000 needed for the Placement Center from donors; and the $800,000 necessary for the Computer Resource Center will be supplied by a combination of gifts and general University funds. Landscaping and contingencies will be assessed proportionately to each user.

At this time, the administration requests approval to continue work on the Wharton Executive Education Center and the Computer Resource Center, estimated to cost $18,570,000, including contingencies.

RESOLVED, that the proposed Wharton Executive Education Center and the Computer Resource Center, estimated to cost approximately $18,570,000, 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 construction and 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 such construction.

2. Action. A Resolution on the Construction of the Lauder Institute and Fischer Real Estate Center was approved as follows:

Intention:

The Joseph H. Lauder Institute of Management & International Studies was established in October 1984. Since that time, the administration has sought to find appropriate quarters to house the program. After extensive review of existing buildings, the administration concluded that a new facility was necessary. Coincidently with reaching that conclusion, the University received a gift and a pledge for a facility to house the Arthur Fischer Real Estate Center. The administration then engaged the architectural firm of Davis, Brody to develop schematics for a facility that would incorporate both the Lauder Institute and the Fischer Center. It would be located on the west side of 37th Street, south of Locust Walk; and the cost, including design, construction, furnishings and landscaping, is estimated at no more than $3 million. Funds will come from gifts. The administration supports the project.

RESOLVED, that the construction of a new facility to house the Lauder Institute and the Fischer Real Estate Center, estimated to cost no more than $3 million, 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 construction and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of construction as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such construction.

3. Action. An Amendment to the Resolution of 21 June 1985 on the Clinical Sciences Research Building was approved as follows:

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Intention:

On 21 June 1985, the Trustees approved expenditure of $1,500,000 in fees for initial design work of a Clinical Sciences Research Building. It is to house the Howard Hughes Medical Institute, facilities for brain research, cancer research, and other key medical areas, as well as animal care facilities. At this time, the administration wishes to continue with the design work, surveys, and preparation of bid documents at a cost estimated to be $2,783,000, for a total commitment and authorization of $4,283,000. Funds have been identified as follows: the Clinical Practices will contribute $10 million; the Howard Hughes Medical Institute will pay for its portion of the facility, estimated to be approximately $11 million; the School of Medicine will undertake a $10 million long-term University loan; and a National Cancer Institute grant will provide $2.5 million.

RESOLVED, that the second phase of the proposed Clinical Sciences Research Building, estimated to cost $2,783,000, 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 the second phase and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of the design work, surveys and preparation of bid documents as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such work.

4. Action. A Resolution on the Development of 34th and Walnut Streets, Phase II was approved as follows:

Intention:

On 4 April 1985, the Trustees approved the expenditure of $1,419,000 for Phase I of the development of 34th and Walnut Streets, known as 3401 Walnut Street. At that time, the University planned to construct a building of 138,000 gross square feet with a maximum height of four stories. The administration has sought to increase the size of the building to provide for optimal use of this strategic location. All municipal approvals, consistent with the terms of the 1982 Consent Decree between the University and the Sansom Committee, have been secured, enabling the University to increase the site coverage and the height of the building. Consequently, the administration proposes to construct a building of 178,000 gross square feet, which is 30 percent larger than the building originally planned, at an estimated cost of $20 million.

The administration proposes to raise $4 to 5 million from donor/investors in a pooled income fund, for which the University would act as Trustee and the fund would, in partnership with University City Associates, own the building. The donor/investors or their designated beneficiaries will receive income over their lifetimes. Upon the death of the life income beneficiaries, their shares will pass irrevocably to the University. The remaining funds necessary to finish the project are expected to be financed over an initial 10-year period by a commercial lender at a rate, which over the first 5 years, is not to exceed 120 basis points over the bank's cost of Eurodollar funds. That rate today would approximate 10.75 percent.

The administration requests approval of the enlargement of the building, the increase in total project cost to $20 million, amendments to current architectural, development and construction management contracts, and the plans of financing.
RESOLVED, that the building at 34th & Walnut Streets, known as 3401 Walnut Street, estimated to cost $20 million, 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 presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable.

FURTHER RESOLVED, that the establishment of a pooled income fund, which, in partnership with University City Associates, will own the building and borrow the remaining funds necessary to finance the project 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 and incur such expenses and obligations - not, however, in excess of the estimated amount presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable.

5. Action. A Resolution on Renovation and Repair to Stouffer Plaza, Phase II was approved as follows:

Intention:

Since the construction of Stouffer Triangle in 1972, the Upper Plaza has leaked, causing damage to building piping and furnishings and inconveniencing students. Previous attempts to correct the situation have been unsuccessful. A preliminary evaluation indicated that problems would continue until the planter areas were removed and the Upper Plaza properly waterproofed. The project was divided into phases. Phase I was completed in November 1985. Phase II is estimated to cost $440,000. Funds have been identified in the account for major maintenance work in residential buildings.

RESOLVED, that Phase II of the renovation of Stouffer Plaza, estimated to cost $440,000, 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 renovation as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such renovation.

6. Action. An Amendment to the Resolution of 21 June 1985 on the Renovation of the Quadrangle Dormitories, Phase VII was approved as follows:

Intention:

Renovations to the Quadrangle Dormitories began in 1977. In Phases I through IV, the University, with the approval of the Trustees, renovated 20 houses. On 18 January 1985, the Trustees approved the $13.8 million project cost of Phases V and VI, which involve renovating 10 houses and McClelland Lounge. The work will be completed in the fall of 1986.

On 21 June 1985, the Trustees approved an expenditure of up to $1,137,000 for design work on Phase VII. Phase VII will involve the rehabilitation of eight houses (Thomas Penn, McIlhenny, Warwick, Ward, Chestnut, Cleeman, Ashurst, and Magee) and will include the renovation of student living and activity areas, faculty apartments, and common facilities and the installation of an elevator. The total project is estimated to cost $16,677,500. The funds will come from gifts and the recent University bond issue. They will be repaid by residential system fees over 25 years. The project will take three summers: 1986, 1987, and 1988.
RESOLVED, that Phase VII of the Quadrangle Renovation Program, estimated to cost $16,677,500, 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 construction and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of renovation as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such renovation.

7. Action. A resolution on Renovations to the Fourth Floor of Blockley Hall for the Department of Radiology was approved as follows:

Intention:

The School of Medicine proposes to expand its programs in medical electronic imaging. It has been allocated space on the fourth floor of Blockley Hall to which it proposes to make renovations. The renovations and furnishings are estimated to cost $400,000. Funds have been identified from a grant and from the educational and development funds of the Department of Radiology. The administration supports the project.

RESOLVED, that renovations to the fourth floor of Blockley Hall, estimated to cost $400,000, be and the same hereby are authorized and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such renovations and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of renovations as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such renovations.

8. Action. A Resolution on Renovations to Animal Care Facilities in Various Buildings of the University was approved as follows:

Intention:

The administration has undertaken a thorough review of all of its animal care facilities in conjunction with the filing of its annual animal care assurance statement with the National Institutes of Health. A number of deficiencies have been identified and a plan of correction prepared. It is estimated that the total cost of modifications to facilities will be approximately $5,666,000. The initial estimate of the costs for each of the schools is: $1,769,000 for Medicine; $894,000 for Arts and Sciences; $156,000 for Dentistry; and $2,847,000 for Veterinary Medicine.

The funds for the required modifications will be loaned to each school from general University resources and will be repaid over two to seven years. Amortization schedules will be negotiated with each school, depending on the size of the loan and the financial circumstances of the school, the loans will be charged the current rate of interest. Each school is expected to contribute to the renovations this year from its operating and restricted funds.

RESOLVED, that the renovations to animal care facilities throughout the University, estimated to cost approximately $5,666,000, be and the same hereby are 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 renovations and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of renovations as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such renovations.

9. Action. A Resolution on Rescission of "The Policies and Procedures for Managing the Proceeds of the Program for the Eighties Fund Drive" was approved as follows:

SECRETARY
Intention:

On 4 June 1976, the Trustees approved a plan entitled "The Policies and Procedures for Managing the Proceeds of the Program for the Eighties Fund Drive". The University has adhered to this plan since then.

The administration now requests that policy XIII of the plan, dealing with the gift tax and investment of gift receipts, be rescinded, effective 1 July 1986. The administration will no longer impose a 5-percent charge on gift receipts because the costs of the Program for the Eighties Fund Drive will have been fully amortized. The administration will invest new gifts in endowment quarterly instead of annually. The gifts will be invested in the Temporary Investment Fund (TIF) until the time of quarterly investment in the Associated Investment Funds. Gifts for construction or renovation will continue to be invested in the TIF until certified and spent on an approved project. Gifts received, the purpose of which have not been determined by the donors, will be invested in the TIF until a purpose has been approved. The administration intends to build its unrestricted endowment and will designate unrestricted gifts to specific purposes only in rare circumstances. Those designations will be reported to the Trustees.

RESOLVED, that Policy XIII of The Policies and Procedures for Managing the Proceeds of the Program for the Eighties Fund Drive be and the same hereby is rescinded.

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

Intention:

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

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

FURTHER RESOLVED, that the University's property at 3401 Walnut Street shall be leased to the partnership and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to subordinate the University's interest in the property to the commercial lender granting construction and long-term financing to the project.

F. Development Committee

Mr. Jones reported that as of 10 January, gifts and subscriptions to the University totaled $39.8 million, which amounted to 47 percent of Penn's $85-million goal. "We are cautiously optimistic that we can achieve record-breaking fund-raising results for the third consecutive year," he said. "but the magnitude of this challenge is apparent when we look at the performance of our various donor constituencies." The
chairman reported that while gifts from individuals are about even with last year, the amount received from alumni is down by 42 percent due in large measure, he explained, to trustee contributions to the Building Penn's Future program in FY'85. "If we subtracted trustee gifts from the alumni total," he said, "we'd be running about 27 percent ahead of last year." Mr. Jones went on to say that corporate giving was slightly below the total achieved by January of 1985, but he emphasized that he was confident the goal of $22 million will be reached, putting the FY'86 total 10 percent ahead of FY'85. He pointed out that gifts from foundations were 41 percent greater than at this time last year, totaling some $5 million of a $12-million goal. "Annual Giving receipts stand at about $5 million," he observed, "while total receipts so far in FY'86 amount to $30 million, which is a 20-percent increase over FY'85 thanks," Mr. Jones said, "to the payout flow from large commitments made last year." He noted that the cumulative growth in the University's fund-raising performance during the past two years is close to 40 percent. "The real challenge," the chairman concluded, "is to consolidate these gains and build on the broad constituency base formed during this period."

G. Student Life Committee

Mrs. Mainwaring reported on both the October and January meetings of the Student Life Committee. At the former, she noted, the committee had heard a report on academic advising in the four undergraduate schools. "Nursing and Engineering have excellently structured and implemented programs that seem to meet the needs of their students," she said, adding that half of the courses taken by a Wharton undergraduate were required, and in these cases, advising was a departmental function. The other half of a Wharton undergraduate's course load may be taken in the School of Arts and Sciences, where, Mrs. Mainwaring observed, "the academic problem is one of magnitude: 5,600 students, 3,000 courses in 28 departments, 14 non-departmental majors, and other configurations. Because the choices are so great, so is the need for advising," she said. "The staff is dedicated and expert but under immense pressure, and to deal with attendant problems, the new dean has proposed programmatic and structural changes some of which are already in place."

The chairman went on to report that committee members also had been exposed to perspectives on the campus chaplaincy at their October meeting. Representatives of the Hillel Foundation, Newman Center, and Christian Association were introduced by Chaplain Johnson, and the chairman observed that they appeared to have "a remarkable ecumenical relationship and be deeply committed to helping students develop a personal and moral social ethic." The provocative meeting raised a number of questions, according to Mrs. Mainwaring. Among them were: Should the University be involved in general and specific efforts to help students develop a personal and community moral and social ethic? Should it supplement the efforts of organized religious groups in this area?
Turning to the January meeting, which was devoted to a discussion of safety and security on campus, the chairman noted that Vice Provost Bishop had opened the session by stressing the need to maintain a balance between the kind of openness that fosters academic and personal interaction and a safe and secure environment. She said that the committee learned from Vice President Gary J. Posner that Penn "met or exceeded" all the recommendations made by the American Council on Education for "self-regulation security initiatives." She mentioned measures taken to enhance security in the business service areas, such as improved lighting in parking lots, the installation of convex mirrors in parking garages, an expanded escort service, and the promotion of discounted cryptonite bicycle locks by the Bookstore. The chairman noted that with 68 fully-trained employees, Penn's public safety staff is the 24th largest among the 911 police departments in the Commonwealth. "It has a $3 million budget," she said, and went on to report that the committee had learned that over the past five years, crimes committed against persons on campus have decreased 75 percent, though the tragic dormitory murder of a graduate student from India, which occurred over Thanksgiving weekend, is the first such incident. Mrs. Mainwaring said that crimes against property have decreased 25 percent since 1981. But theft has not decreased, and "this is a cause for concern," she observed, "as theft can lead to serious crimes against persons."

Turning to major initiatives undertaken to improve campus security, she noted that Captain John Logan had reported on expanded in-service training programs, improved recruiting procedures, an increased number of patrol vehicles, enhanced crime prevention activities, and a better security alarm receiver system. Mrs. Mainwaring said that Ms. Ruth Wells had provided information on the distribution of an updated safety information booklet, crime prevention workshops, training for service providers, campus safety aides, and student orientation programs. The committee also learned about measures taken to secure Penn's residential facilities. Despite lobby receptionists in every building and security marshals in the larger ones, peepholes in all doors, and alarms in all public rooms, "residences are major problem areas," the chairman observed, "because of the large number of students entering buildings at one time. But a great many people," she concluded, "are devoting a lot of time and effort to improving residential security."

H. University Responsibility

Mr. Brown summarized the Report of the University Responsibility Committee on Investment in Companies Operating In South Africa. He noted that the committee had "wrestled with the language mightily," and that the document in the Trustees' meeting books represented a fourth revision. In its entirety, the report is reproduced below.
REPORT OF THE COMMITTEE ON UNIVERSITY RESPONSIBILITY
TO THE TRUSTEES, WITH RECOMMENDATIONS, CONCERNING
UNIVERSITY POLICY RELATING TO INVESTMENTS IN COMPANIES
DOING BUSINESS IN SOUTH AFRICA

Introduction

During the past year, events in South Africa have captured and held the attention of the entire University community. One need only scan the daily newspaper or listen to the nightly news to learn of the escalating violence in that nation. As resistance grows against apartheid, which as a matter of law ignores the most fundamental rights of the nonwhite majority, the South African government has intensified its repression by declaring a state of emergency and arresting and detaining thousands of opponents of apartheid without due process. As trustees, we are united in our abhorrence of apartheid.

In light of the increasing level of conflict in South Africa and the heightened attention being paid to the problem of apartheid by the federal government, by corporations that do business in South Africa, and by concerned members of the University community, the Trustees asked the Committee on University Responsibility (the "Committee") to review the Trustees' policy concerning South Africa, particularly relating to University investments in companies that do business in that nation, and to make recommendations as to whether that policy should be modified.

In accordance with its charge, the Committee has focused on the question of divestment and the role of the University as a stockholder. However, while not a part of the Committee's formal recommendations, all the members of the Committee strongly support the role of the University as an educational institution in providing opportunities for oppressed South Africans to study at the University, in cooperating with appropriate educational institutions in South Africa and in helping in other ways to provide the knowledge essential to the new leadership in government, health care and other professions as apartheid is dismantled. The Committee commends President Hackney and other members of the University community for their efforts to date and knows that the Trustees will enthusiastically support further efforts in this direction. This is the arena in which Penn and other American universities can have a real impact.

Evolution of the University's Policy

The Trustees have had a longstanding concern with the social responsibility of corporations in which the University invests. In 1972 the Trustees established Guidelines for Investment in Publicly Held Companies, which state that while the University "has traditionally sought to manage its endowment to achieve maximum return," it "should not retain in its portfolio the securities of any company whose activities, on balance, are unconscionable."

Within this context, the Trustees have been particularly concerned with the conduct of corporations that do business in South Africa.* Accordingly, in 1978 the Trustees endorsed the Sullivan Principles (see Appendix A) as an appropriate standard of corporate conduct for companies in which the University held stock and which had operations in South Africa.

In 1980, the Trustees adopted a policy of selective divestment, under which companies in the University's portfolio that do business in South Africa are required to adhere to "sound principles of corporate practices, comparable in all important regards to the Sullivan Principles...and other similar international statements of principles of corporate practices." A company which fails to adopt and abide by such principles may be considered a candidate for divestment. The Trustees also resolved that financial institutions in which the University holds equity investments should not make new loans, renew old loans, or extend the terms of loans to the government of
South Africa or to state-owned corporations, unless such loans support projects which substantially benefit non-whites and would not likely be undertaken without foreign support. Should such financial institutions fail to comply with this guideline, the Committee is empowered to make recommendations to the full Board which may include divestment of stock.

Two years later, the Trustees reaffirmed the 1980 policy, and authorized the Committee to vote the University's proxies in support of shareholder proposals that companies not engage in new or expanded investment in South Africa. The Trustees also recommended that if a company has adopted the Sullivan Principles, yet is ranked in the annual Sullivan Reports (prepared by Arthur D. Little, Inc.) in Category III-A (Received Low Point Rating); Category III-B (Did Not Pass Basic Requirements); or Category IV (Signatories Which Did Not Report), the Committee should attempt to bring about change by a program of communication with management; the company would be considered a candidate for divestment if it could not improve its rating in a reasonable period of time.

In accordance with the 1980/1982 guidelines, in 1983 the University, after extensive but unsuccessful attempts to persuade Dart & Kraft, Inc. to comply with the reporting requirements of the Sullivan Principles, divested of 12,000 shares of that corporation, representing a market value of $813,000.

*Recognizing that there are many important issues and injustices in the world that confront individuals today, the Trustees have for many years singled out the evil of apartheid in South Africa for attention under the Guidelines. The Trustees believe that there remains a strong and fundamental presumption against the University taking an institutional position on political or social issues. As the Committee noted in its 1980 draft statement concerning Institutional Response to External Issues:

If. . . an issue does not closely relate to the mission of the University, the University of Pennsylvania will take institutional positions only under the most unusual circumstances and only on the issues which are of the greatest social concern and deal with the most fundamental human rights.

In 1984 the Trustees authorized the Committee to consider new entry, expanded investment or any sales by a company to the South African police or military as factors in determining whether a company should be a candidate for divestment.

As of June 30, 1985, the University's investments in companies doing business in South Africa totaled $92.6 million, constituting 11.42% of all University investments. (Appendix B). All U. S. companies are Sullivan Principle signatories; the one non-U. S. company is a subscriber to the European Economic Community Code of Conduct for Companies with Interests in South Africa. None of the companies in the University's portfolio does more than 1.2% of its business in South Africa. The University owns no investments in South African-owned companies.

Current Consideration of the University's Policy

In 1985 the level of violence in South Africa increased dramatically, notwithstanding (and perhaps in response to) the government's declaration of a state of emergency. In August, South Africa's President Botha indicated little willingness on the part of his government to change its policy of apartheid. Thus, in many respects, the prospects for peaceful change in South Africa appear bleak. Yet there are still a number of hopeful signs on the horizon, as leaders of major South African and American corporations have expressed public opposition to the government's policy, calling upon the government to change its course.

The United States government also modified its stance with regard to South Africa. Under pressure of stronger legislation being considered by Congress, President Reagan in September issued an executive order imposing limited economic sanctions on South Africa. That legislation, the Anti-Apartheid Act
of 1985, was the subject of extensive Congressional discussion. In May 1985, President Hackney was asked to testify on the legislation before the Senate Subcommittee on International Trade and Finance, and did so in his individual capacity. President Hackney supplemented that testimony by joining, in June 1985, with nineteen other college presidents urging Senate passage of the anti-apartheid bill.

Given events in South Africa and the changing domestic climate of opinion, the Trustees determined that it was appropriate to review the current University policy of selective divestment and to reexamine that policy at the January 1986 stated meeting.

At its meeting on October 23, 1985, the Committee resolved to solicit opinion from the University community as to the appropriate role of the University as an educational institution and as a shareholder in addressing the issue of apartheid. Opinions were sought by posing a series of questions the Committee believed pertinent to the issue. During November 1985 these questions were widely disseminated to the University community and published in the campus media. The Committee requested written responses and received replies representing the views of 57 individuals and organizations.

Members of the Committee gathered additional information concerning South Africa and informed themselves of campus opinion by participating in a dialogue with the Executive Committee of the University Council. On October 30, 1985, the Chair of the Committee participated in an open forum sponsored by the Undergraduate Assembly, on South Africa-related investments. Committee members also attended a meeting of the University Council on November 13, 1985, at which the policy on divestment was discussed and a resolution favoring divestment was passed by a vote of 25 to ten with five abstentions.

The Committee sponsored an open forum on December 3, 1985, attended by six trustees, at which members of the University community were invited to present their views on divestment. The Committee subsequently met three times to discuss and evaluate the policy of selective divestment of South Africa-related stock.

Consideration of University Community Opinion

During the course of its deliberations, the Committee gave careful consideration to the written responses it received to the series of questions about apartheid and the proper role of educational institutions in addressing apartheid which the Committee addressed to the University community. The Committee recognizes that many members of the University community devoted substantial time and effort to answering these questions, and the Committee deeply appreciates and values the information and opinions provided on all sides of the issue. The opinions expressed in the responses defy easy characterization; they reflect a considerable diversity of viewpoint on appropriate conduct by the University, on the role of corporations in South Africa, and on the prospects for (and the best means of) dismantling apartheid. The responses were closely split on the advisability of divestment, with 31 responses appearing to favor such a course of action and 26 responses expressing opposition to divestment. A brief summary of the responses is attached as Appendix C.

For reasons articulated in some of the responses to the questions from members of the University community, as well as in the Committee's January 1982 report to the Trustees, and in light of none of the comments made during the University Council's thoughtful and searching discussion on this topic, the Committee continues to question the appropriateness and efficacy of complete and immediate divestment. We are mindful of the fact that the sale of South Africa-related stock by the University would be effectuated through the purchase of the identical shares by other investors, who may not be concerned about the situation in South Africa. We are not convinced that immediate divestment of stock by the University would influence the actions of multinational corporations, much less the actions of the South African government. While we may believe that the threat of disengagement of companies from South Africa might be seen as exerting leverage for change in that nation, we do not believe that divestment will directly or indirectly result in disengagement.
We are concerned that complete and immediate divestment might amount to "washing one's hands" of a difficult problem while there may still be an opportunity for individuals, groups, and entities such as corporations and universities to play a constructive role in South Africa. And, given the rapidly shifting political and economic situation in South Africa and the emergent role of the South African business community in the anti-apartheid movement, the Committee is not yet prepared to classify the mere presence of a corporation in South Africa as "unconscionable" under the 1972 Guidelines.

While the Committee does not recommend the complete and immediate divestment of the University's stock in all companies doing business in South Africa, it is increasingly disturbed by the apparent intransigence of the present South African government and is concerned that the prospects for peaceful and meaningful change in that nation may soon vanish. Given the present South African context, the Committee believes the Trustees should expect these companies to play an active economic and political role in pressuring the South African government to dismantle apartheid. The Committee continues to believe that such companies have the capacity to be a positive force in South Africa. Indeed, Dr. Leon H. Sullivan, the author of the Sullivan Principles, has recognized the need for U.S. corporations to assume a more active posture in this regard toward the South African government. The Fourth Amplification of his Principles (articulated in late 1984) requires that signatory companies "work to eliminate laws and customs which impede social and political justice." Future reports on the Sullivan Principles will monitor the performance of signatory companies under this new and higher standard of activity. The Committee intends to review such performance with an extremely critical eye.

Recommendations of the Committee

The Committee emphatically believes that the opportunities for significant progress toward reforms in South Africa are not of unlimited duration. The time for meaningful change is now, not at some unspecified future date. If the efforts of corporations, governments, and other interested parties to dismantle apartheid are not soon rewarded with substantive reforms on the part of the South African government, the heightened potential for continued social unrest and the improbability of peaceful dialogue among South Africans will cast grave doubts on the economic wisdom and moral propriety of continued investment. Despite our belief that U.S. corporations can play a constructive role in bringing about peaceful change, continued intransigence on the part of the South African government could reduce even the best intentioned and most diligent corporations to a state of involuntary alliance with an unconscionable system of oppression.

If the Committee determines that by June 30, 1987,* substantive progress has not been made in dismantling the legal structure of apartheid, the Committee will ask companies in which the University owns stock to withdraw from South Africa and, if they fail to do so within a reasonable period of time, will recommend that the University divest its holdings in those companies.

The Committee would define "dismantling the legal structure of apartheid" to include, but not be limited to, the elimination of the laws and conditions attendant to apartheid that deny human rights, civil liberties, political rights, and individual economic opportunities to the nonwhite majority of South Africans. In evaluating whether "substantive progress" has occurred, the Committee will require that all or substantially all of the following steps will have been taken:

*This date allows time for two regular sessions of the South African parliament.
The Government of South Africa has eliminated the system which makes it impossible for black employees and their families to be housed in family accommodations near the place of employment. [Black (Urban Areas) Consolidation Act.]

The Government of South Africa has eliminated policies that restrict the rights of black people to seek employment in South Africa and to live wherever they find employment in South Africa. [Black (Urban Areas) Consolidation Act; Group Areas Act.]

The Government of South Africa has eliminated policies that make distinctions between the South African nationality of blacks and whites. [(Population Registration Act; Natives (Abolition of Passes and Co-ordination of Documents) Act; Reservation of Separate Amenities Act.)]

The Government of South Africa has ceased removals of black populations from certain geographic areas on account of race or ethnic origin. [Group Areas Act; Black Administration Act.]

The Government of South Africa has eliminated residence restrictions based on race or ethnic origin. [Group Areas Act; Black (Urban Areas) Consolidation Act; Black Lands Act.]

The Government of South Africa has taken meaningful steps to ensure the effective sharing of political power in South Africa with all nonwhites.

The Committee further recommends that the University communicate now with the portfolio companies having South African operations to encourage their active efforts to end apartheid and to inform them of the Trustees' expected timetable.

The University should monitor, during the next eighteen months, the performance of companies in its portfolio in seeking to foster substantive progress. During this period we believe that the current policy of selective divestment should be strengthened to ensure that all companies in which the University invests maintain the highest standards of corporate conduct in South Africa. Therefore, we recommend that the current policy be amended to require:

That the University hold no stock in any Sullivan signatory with a rating of III-B (Did Not Pass Basic Requirements), with any divestment to be carried out in a prudent and orderly fashion upon ascertaining the Sullivan rating;

That the University, in cases in which it holds stock in a company with a Sullivan rating of III-A (Received Low Point Rating), allow such company to improve its rating by the next reporting period. If no improvement is noted in the subsequent report, that stock should be divested in a prudent and orderly fashion; and

That the University place an immediate freeze on all purchases of shares in companies that are rated in Sullivan Category III-B, or that have not signed the Sullivan principles, or have not reported their progress under the Sullivan principles or their substantial equivalent.

The Committee recognizes that divestment is a serious step, with economic consequences difficult to predict. It has examined various studies and opinions concerning the financial consequences of future divestment, including, but not limited to, the probability that a higher level of risk may be associated with a South Africa-free portfolio and that given the current philosophy of management of the University's portfolio, the total return would be somewhat lower than with an unrestricted universe of possible investments. It has concluded that the opportunity cost inherent in a South Africa-free portfolio cannot be predicted with any certainty, though there are undeniable portfolio turnover costs associated with divestment. Consistent with the Trustees' fiduciary duties, therefore, the Committee recommends that whenever the University is considering the sale of its holdings in South Africa-related companies, every effort should be made to minimize costs.
Cognizant that conditions can change rapidly and in unexpected ways, the Committee understands that the Trustees must reserve the right to revise any policies adopted today if warranted by future conditions or developments. In carrying out its charge, the Committee will continue to monitor matters relating to the situation in South Africa that should be brought to the attention of the Trustees.
Appendix A

Sullivan Principles

Principle I. Non-segregation of the races in all eating, comfort and work facilities.

Each signator of the Statement of Principles will proceed immediately to:

- Eliminate all vestiges of racial discrimination.
- Remove all race designation signs.
- Desegregate all eating, comfort and work facilities.

Principle II. Equal and fair employment practices for all employees.

Each signator of the Statement of Principles will proceed immediately to:

- Implement equal and fair terms and conditions of employment.
- Provide non-discriminatory eligibility for benefit plans.
- Establish an appropriate and comprehensive procedure for handling and resolving individual employee complaints.
- Support the elimination of all industrial racial discriminatory laws which impede the implementation of equal and fair terms and conditions of employment, such as abolition of job reservations, job fragmentation, and apprenticeship restrictions for blacks and other non-whites.
- Support the elimination of discrimination against the rights of blacks to form or belong to governmental registered and unregistered unions and acknowledge generally the rights of blacks to form their own unions or be represented by trade unions which already exist.
- Secure rights of black workers to the freedom of association and assure protection against victimization while pursuing and after attaining these rights.
- Involve black workers or their representatives in the development of programs that address their educational and other needs and those of their dependents and the local community.

Principle III. Equal pay for all employees doing equal or comparable work for the same period of time.

Each signator of the Statement of Principles will proceed immediately to:

- Design and implement a wage and salary administration plan which is applied equally to all employees, regardless of race, who are performing equal or comparable work.
- Ensure an equitable system of job classifications, including a review of the distinction between hourly and salaried classifications.
- Determine the extent upgrading of personnel and/or jobs in the upper echelons is needed, and accordingly implement programs to accomplish this objective in representative numbers, ensuring the employment of blacks and other non-whites at all levels of company operations.
- Assign equitable wage and salary ranges, the minimum of these to be well above the appropriate local minimum economic living level.

Principle IV. Initiation of and development of training programs that will prepare, in substantial numbers, blacks and other non-whites for supervisory, administrative, clerical and technical jobs.

Each signator of the Statement of Principles will proceed immediately to:

- Determine employee training needs and capabilities, and identify employees with potential for further advancement.
- Take advantage of existing outside training resources and activities, such as exchange programs, technical colleges, and similar institutions or programs.
Support the development of outside training facilities, individually or collectively—including technical centers, professional training exposure, correspondence and extension courses, as appropriate, for extensive training outreach.

Initiate and expand inside training programs and facilities.

Principle V. Increasing the number of blacks and other non-whites in management and supervisory positions.

Each signator of the Statement of Principles will proceed immediately to:

- Identify, actively recruit, train, and develop a sufficient and significant number of blacks and other non-whites to assure that as quickly as possible there will be appropriate group of each company at all levels of operations.
- Establish management development programs for blacks and other non-whites, as needed, and improve existing programs and facilities for developing management skills of blacks and other non-whites.
- Identify and channel high management potential blacks and other non-white employees into management development programs.

Principle VI. Improving the quality of employees' lives outside the work environment in such areas as housing, transportation, schooling, recreation and health facilities.

Each signator of the Statement of Principles will proceed immediately to:

- Evaluate existing and/or develop programs, to address the specific needs of black and other non-white employees in the areas of housing, health care, transportation, and recreation.
- Evaluate methods for utilizing existing, expanded or newly established in-house medical facilities or other medical programs to improve medical care for all non-whites and their dependents.
- Participate in the development of programs that address the educational needs of employees, their dependents, and the local community. Both individual and collective programs should be considered, in addition to technical education, including such activities as literacy education, business training, direct assistance to local schools, contributions and scholarships.
- Support changes in influx control laws to provide for the right of black migrant workers to normal family life.
- Increase utilization of and assist in the development of black and other non-white owned and operated business enterprises including distributors, suppliers of goods and services and manufacturers.

With all the foregoing in mind, it is the objective of the companies to involve and assist in the education and training to large and telling numbers of blacks and other non-whites as quickly as possible. The ultimate impact of this effort is intended to be of massive proportions, reaching millions.

INCREASED DIMENSIONS OF ACTIVITIES OUTSIDE THE WORKPLACE

- Use influence and support the unrestricted rights of black businesses to locate in the urban areas of the nation.
- Influence other companies in South Africa to follow the standards of equal rights principles.
- Support the freedom of mobility of black workers to seek employment opportunities wherever they exist, and make possible provisions for adequate housing for families of employees within the proximity of workers' employment.
- Support the ending of all apartheid laws.

PERIODIC REPORTING

The Signatory Companies of the Statement of Principles will proceed immediately to:

- Report progress on an annual basis to Reverend Sullivan through the independent administrative unit he has established.
Have all areas specified by Reverend Sullivan audited by a certified public accounting firm.
Inform all employees of the company's annual periodic report rating and invite their input on ways to improve the rating.
The Trustees of the University of Pennsylvania  
Common Stock Held in Companies  
Operating in the Republic of South Africa  
June 30, 1985

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% of Total Investments

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% of Total Investments
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Appendix C

SUMMARY OF RESPONSES TO OUR QUESTIONS

As of December 17, 1985, the Committee had received fifty-seven (57) written responses to the questions. Fifty-four (54) of these responses were signed by members of the University community acting in an individual capacity or on behalf of organizations; the remaining three (3) responses were from anonymous sources. Comments were received from students, faculty, employees and alumni, as well as from groups such as the University of Pennsylvania Alumni Clubs of Central Massachusetts and Metropolitan New Jersey, the Graduate and Professional Student Association, the Undergraduate Assembly and the Penn Anti-Apartheid Coalition. An index of respondents is attached as Exhibit 1. The responses were closely split on the advisability of divestment, with thirty-one (31) responses appearing to favor such a course of action and twenty-six (26) responses expressing opposition to divestment.

The opinions and ideas expressed in the responses defy easy characterization or classification. Many respondents elected to use the Committee's questions as a starting point for the presentation of their opinions, while others returned the question sheet with their marginal notations or ignored the questions entirely. This summary broadly describes and samples responses to each question. However, the full range of opinions can only be gleaned from a thorough review of the responses.

QUESTION 1: Is the apartheid problem in South Africa directly related to Penn's educational mission? Why or why not?

Thirteen (13) respondents stated that no direct relationship existed, one of whom made the following points:

(a) South Africa is geographically distant. It is distinct in government, moral and ethical values from the United States and the University. . .(b) the University's mission is not to pressure or impose moral or political values on people outside its community. . .(c) the South African apartheid problem is essentially a political problem, the moral issues notwithstanding.

Many other respondents, however, took a contrary position. One student contended that to educate means "to develop mentally or morally," and that the University has "an obligation to detach itself from all those activities [such as investment in companies doing business in South Africa] that are contrary to this end." Some respondents argued that apartheid was a vital topic of historical, political, economic, sociological and ethical inquiry, and thus was related to the University's educational mission. One individual declared that "everything affecting human rights and dignity is related to Penn's educational mission," while the Penn Women's Alliance stated that "Training young people in moral responsibility always has been, and should remain, a traditional function of a Penn education." Some of the responses focused upon Penn's role in the wider world (e.g., the University "sets an example of enlightened thought and conduct, behavior that can rise above the profit motive in favor of high ideals;" the University teaches students "to think critically, act and view themselves as part of the moral fiber of their worlds; and so too, the institution is no exception to that educational mission"); other responses explored the ties between the abstract pursuit of knowledge and morality:

When the University discerns that it is a participant in supporting a morally wrong system, then that knowledge becomes directly related to its educational mission. To possess that knowledge and to do nothing would pervert the very character and spiritual integrity of the institution itself, as well as its mission.
The Black Alumni Society warned that the "apartheid system threatens the very freedoms on which the University depends to continue to flourish... To safeguard the academic and personal freedoms which are essential to the maintenance of an outstanding university, the tacit condoning of apartheid cannot be permitted."

**QUESTION 2:** Under what circumstances should the University—as distinguished from members of the University community as individuals—take an institutional position on issues not directly related to its educational mission? If the University takes an institutional position, how can it avoid inhibiting the freedom of expression of those on campus who may hold different views?

Eight (8) of the respondents argued against the taking of any noneducational institutional positions. "Academic institutions," said one individual, "have enjoyed great autonomy in the United States, but that status will be endangered if we seek to impose our will beyond our jurisdiction." He quoted a statement by Derek Bok that "resources were entrusted to [the University] for academic purposes and not as a means of demonstrating our opposition to apartheid or to other manifest injustices around the world." Another writer expressed concern that taking an institutional position on a noneducational issue would "require [the University] to consider, spend time on and take positions on any number of other ethical or political issues. This would politicize the University and be contrary to, if not, undermine its [sic] mission." Other respondents claimed that institutional positions should be adopted "only under extreme conditions, where there exists no other feasible conduit of change," or in the "extreme case" where "there is a clear cut violation of fundamental values which the University seeks to uphold and upon which it is based. In other words, if there is no reasonable doubt that a system is evil."

A view expressed by twelve (12) respondents was that the University's continued ownership of stock in companies doing business in South Africa already constituted the taking of an institutional position. According to the Graduate and Professional Student Assembly ("GAPSA"):

It is clear that by investing in South Africa the University has already taken an "institutional position" on the political system of apartheid which exists there. The returns from our investments in South Africa depend on the existence of apartheid... Many of our investments actually allow the white regime to enforce and strengthen the oppression of black South Africans, through loans to the white government and sale of goods to the South African military and police.

One respondent asserted that since an institutional position on apartheid already existed, divestment would merely constitute correcting or "changing that position in light of new facts and considerations."

There was also broad disagreement over whether the adoption of an institutional position would inhibit the freedom of expression of those members of the University community who hold contrary views. Eight (8) respondents voiced concern that such individuals might be unwilling or unable to freely express their opinions, but eleven (11) respondents argued that such a result was highly unlikely. As one professor explained, "I see no danger of inhibiting the freedom of expression of individuals with views opposed to the trustees' action, since such individuals will as always be free to express their agreement or disagreement with any trustee position." Another professor commented that "as a University member who has often expressed positions at variance with those in the administration...I have always felt welcome, indeed encouraged, as a junior faculty member, to do so. And so in the tradition of Penn would I presume the continuance of this atmosphere." One answer sought to allay fears of restricted speech by observing that the current "institutional position" of the University has by no means served to silence the advocates of divestment.

One respondent noted that a footnote in the Committee's 1980 Draft Statement on "Institutional Response to External Issues" explicitly states that the Trustees' adoption of a policy statement on South Africa on January 18, 1980 constituted the taking of an institutional position by the University.
QUESTION 3: Should apartheid be singled out as an issue calling for an institutional position, as compared to other social and political issues? If so, why?

Sixteen (16) respondents felt that the issue of apartheid should not be designated for special institutional treatment. According to one individual:

There is no reason that UP should get deeply involved in the racial problems of [South Africa] while it ignores similar or worse problems in dozens of other countries: citizens of USSR need permission to travel inside their country; citizens of Romania are forcefully relocated by the thousands from their homes to other settlements, and people of Chile are exploited by their "upper class" and by governmental organizations far more corrupt than [the South African] government.

Yet many other groups and individuals strongly believed that the situation in South Africa merits unique measures. South Africa, wrote one respondent:

is the only developed country in the Western Alliance whose government maintains power by an explicit policy of brutality, suppression, torture, and a particularly abhorrent form of racism. It keeps the vast majority of its population in grinding Third World poverty: they are not deemed worthy to share their own country's abundant wealth, simply because of the color of their skin.

This author stated that the situation in South Africa remained fluid and that South African society was "now exquisitely sensitive to external economic pressure," thereby necessitating the adoption of a special University position with regard to that country. Other respondent groups distinguished South Africa as the "only country in the world which practices institutionalized racism," or explained that:

due to the extreme nature of the violations of human rights which occur daily there (for example, the murder of unarmed demonstrators, the mass arrest of protestors, including schoolchildren, and the torture and murder of political prisoners) and its uniquely institutionalized system of racial discrimination, the situation in South Africa deserves special attention...in the form of a firm and effective institutional position.

One response answered the question affirmatively, noting that apartheid was "like a festering sore and, like slavery was, is likely to lead to widespread bloodshed." The signatories to this response also urged that other issues should be similarly addressed by the University as an institution. Still other respondents called for University sanctions against South Africa, claiming that apartheid "violates the basic morals upon which the University of Pennsylvania is based," or that "we are dealing with a morally wrong system. There is general agreement on this, which is not true of other social and political issues." The Penn African Students Association objected to the raising of this question, stating that "it is our belief that any attempt as it seems to be the case—to compare the Apartheid issue with any other issue is tantamount to playing down the seriousness and viciousness of the crime of Apartheid and is therefore racist in nature."

A number of individuals took the position that the Committee, through the adoption of its 1982 Report, had previously elected to treat South Africa apart from other global problems. That report contains the statement that "we have subjected investments related to South Africa to a much higher level of scrutiny than we have those related to other countries where oppressive regimes have tried to grind certain of their citizens into submission" and declares that "we do recognize the unique character of the situation in South Africa in which a white minority government has imposed a system of racial repression on a non-white majority." And while one student who felt that apartheid could not be distinguished from other issues worried that "if we try to correct all the ills of the world we would end up achieving absolutely nothing," another student expressed his belief that "while apartheid is certainly not the only flagrant violation of human rights in the world," nevertheless "some progress is more desirable than no progress."
QUESTION 4: The University's 1972 Guidelines for Investment in Publicly Held Companies state that "the University should not retain in its portfolio the securities of any company whose activities, on balance, are unconscionable." Recognizing that the companies in the portfolio that do business in South Africa do less than 1.5% of their business there, are their activities, "on balance, unconscionable"? Is the presence per se of a company in South Africa an "unconscionable activity" regardless of its principles of operation? If so, does the fact that, as in all cases of University-held companies, less than 1.5% of the company's revenues is derived from South African operations make its activities, "on balance, unconscionable"?

Ten (10) individuals rejected the notion that the mere presence of United States corporations in the Republic of South Africa was "unconscionable activity," with eight (8) of the same respondents also explicitly refusing to agree that the activities of a corporation that conducts 1.5% of its business in South Africa should be classified as "on balance, unconscionable." One alumnus wrote that "Certainly the mere presence of a company in South Africa is not proof of unconscionable activity. In fact, many companies have expressed opposition to apartheid, employ many blacks at decent wages and are doing all they can to change the practice by peaceful means." Another respondent declared that "Doing proper, honest business cannot be termed unconscionable. If I open a store, I sell to those who come in to purchase whether or not I like them personally or approve of their life styles."

Other responses called for amending the 1972 Guidelines. Suggested modifications included striking the words "on balance" from the 1972 Guidelines and adding the phrase "or who do business with countries that practice or support apartheid" to the end of the policy statement.

These respondents and others expressed the view that any U. S. corporate presence in South Africa was unconscionable and that the concept of "balancing or measuring" a corporation's activities was inherently unworkable. According to the Penn Anti-Apartheid Coalition:

All companies doing business in South Africa support the apartheid system by providing the government with goods, services, revenues from taxes—and in general by lending the system moral legitimacy. . . . [Furthermore the] notion of a "balance" or "scale" is morally suspect. If a person is a murderer 1.5% of the time and a law-abiding citizen the rest of the time, would this mean that his actions were "on balance" conscionable? Whether they do 1.5% or .0015% of their business in South Africa, these companies still lend material support to apartheid.

One respondent also noted that:

substantial business in South Africa does not necessarily mean per cent of a company's operations there. Rather, it also is measurable by the scope of business activity within South Africa as compared with other enterprises in the South African economy. One and a half percent of a large multinational isn't insubstantial in South Africa. Finally, substantiality is not adequately measured by economic statistics alone. American companies are disproportionately visible in South Africa, and their behavior (and their investors' behavior) is very important to the South African government.

Making a similar point, the Black Alumni Society pointed out that "U. S. corporations control some of the most vital sectors of the South African economy—70% of the computer market, 44% of the petroleum products market, and 33% of the automotive market, including military vehicles." Another respondent questioned whether the University would "invest in a company only 1.5% of whose business is run by the mafia and involved in drugs and prostitution plus just a little murder?" Analogies were also drawn to involvement with and hence alleged support of slavery, Nazi Germany, and discrimination in modern American society.
QUESTION 5: What is the purpose of divestment? Is the sale of stock from the University's portfolio a useful way for the University to take a position opposing apartheid? Are there alternative or additional means of opposing apartheid that the University should pursue? Would it be more constructive for the University to find educational ways to help prepare South Africa for a stable democratic multiracial society?

Some opponents of divestment expressed skepticism about the motivation behind divestment ("political diversion") and/or its practical effects ("Impose financial hardship on groups of people that you intend to 'help' will only bring resentment, and further incite some to violence and obstruct communication"). Proponents of divestment, on the other hand, offered various reasons for selling the stocks of companies doing business in South Africa, among them:

- Making a symbolic "statement of our unwillingness any longer to be involved in or to profit from an unjust and racist regime;"
- "To sensitize the moral conscience of corporate management and to bring pressure on them to take disinvestment measures." Many respondents argued that divestment, if followed by disinvestment (see Question 7) would be a highly effective means of bringing pressure to bear on the Pretoria regime: "the South African government acutely fears massive Western disinvestment (more than it admits in public pronouncements), and [divestment] by a prestigious American university carries disproportionate influence, owing to its visability [sic] and moral stature in America and abroad;"
- By increasing public awareness of the situation in South Africa and fueling negative publicity against companies doing business in that country, divestment may "cause the United States government to put more pressure on the South African government to make reforms"; and
- "Divestment would cause other institutions to consider divesting, thereby augmenting the impact of [other] efforts."

There appeared to be substantial agreement on the utility of anti-apartheid educational measures to be implemented by the University. Approximately twenty (20) respondents favored the creation of special classes or scholarship programs: about one-half of these individuals and groups supported educational initiatives as an adjunct to—and not as a substitute for—divestment. One student suggested:

Why not sponsor an ongoing series of debates extending invitations to representatives of South Africa's government to participate?... What about offering a free course in the Spring term taught by a rotating group of faculty on the question of apartheid...? Perhaps Penn could arrange with universities in South Africa an exchange program whereby students of all races are exchanged between our two countries... .

Another individual stated that "It would be much more constructive to retain our stocks in those U.S. corporations doing business in South Africa and allocate the dividends therefrom to scholarships for Black South African students at Penn than to divest those stocks and just wash our hands of positive involvement in that nation's future." Yet one response rejected the notion of such University-sponsored educational programs, noting that while "Individual members of the University community may wish to engage in such...activities" nevertheless "the University's institutional responsibility is not education or government in South Africa but the correctness, morality, and educational significance of its own investment policy."

2Two (2) respondent groups, however, (the Penn Anti-Apartheid Coalition and the Penn Women's Alliance) would only support such programs if they were approved by "recognized Black leadership, the African National Congress and the United Democratic Front."
QUESTION 6: If the University should choose to divest completely, should it sever other ties—including, for example, research relationships, receipt of gifts, purchases of products—with companies doing business in or making sales to South Africa?

Eleven (11) respondents answered this question in the affirmative. Some agreed on the basis of logical and moral consistency ("Certainly, unless it is a candidate for Hypocrite of the Year": "For the sake of consistency... all support of the company in question must be cut off"). One faculty member wrote:

The Princeton position is the only consistent moral position to take. If you are going to disassociate yourself from a corporation because it will not remove a presence which supports the apartheid system, then you should not accept any of their gifts, buy any of their products... or have any other business relation with that company.

Fifteen (15) respondents answered the question in the negative. The justifications for these answers varied widely, ranging from the opinion from an opponent of divestment that "it would underscore the absurdity of the divestment policy" to a belief that such a course of action would "impeach [the University's] standing, internationally as a foremost bastion of academics and intellectual pursuits." One person worried that cutting all such economic ties was "too high a price to pay for an illusory attack on apartheid," at least two (2) individuals advised that this measure could be held in reserve as a more drastic second step if divestment failed to accomplish its purposes, and three (3) other respondents claimed that such behavior would "have no political effectiveness." Six (6) of the negative responses stated no reasons.

A self-avowed "undecided" individual stated that "Because my arguments... have more to do with political pressures to minimize violence, etc., than with the 'blood money' claim, I don't see as strong a need to cut all ties." The same individual also wondered whether "Investors, as owners, are accountable for the behavior and location of companies in a way that consumers and gift/grant beneficiaries are not."

The Penn Anti-Apartheid Coalition responded that:

these questions... should be considered as separate issues after the divestment question has been resolved. In our view, divestment is not an attempt to achieve moral purity and absolute consistency; rather, it is a strategy designed to have maximum political impact at minimal cost to the University community. We need not be distracted by these questions at this time.

QUESTION 7: Would the sale by this University, or a group of universities, of stocks of American companies doing business in South Africa have any influence on the companies' conduct and, in particular, on their decision whether to stay in South Africa or withdraw?

The Committee received twelve (12) written responses arguing that divestment was not likely to have any impact on a corporation's decision whether or not to disinvest. According to one alumnus, "I think the sale by this University of American companies doing business in South Africa would not have any influence whatever on the companies' conduct." Another respondent observed that "The stocks would be bought by other investors and the stock price would not change appreciably. Someone will always be willing to purchase the stocks of companies of the calibre of those in the investment portfolio." Yet another individual commented that "It is doubtful that even a group of Universities' holdings would be of a significant enough percentage of total outstanding shares to effect a change."

Twelve (12) respondents contended that corporations would be influenced by Penn's election to divest. "If a sizeable group of universities protested in this way," wrote one faculty member, "it would be an important step toward making support of Pretoria seem a minority position, one held only by a few..."
extremist right-wingers and racists. No respectable company, or company
desiring to seem respectable, will want to be seen associating with such a
minority." The Black Alumni Society's response noted that "divestment would
have an influence on the conduct of companies... The movement in the United
States and throughout the world against apartheid is growing, and as more
institutions, governments and individuals apply pressure through economic
sanctions, the companies will be forced to comply if simply for economic
survival." Another respondent claimed that:

Concerted actions, based on rational analysis, by a large number of
institutional investors will send a clear signal. They will not... only demonstrate that these institutions agree that the
corporation's actions are unsatisfactory, but they will have the
added clout of depressing stock prices and making the corporations a
worse investment for the others who, unconcerned with the situation
in South Africa, will invariably rush in to buy.

A smaller group of respondents expressed doubt about the existence of any
cause-and-effect relationship between divestment and disinvestment, but
maintained that divestment would still have an effect upon corporations
operating in South Africa: "It is true that divestment does not lead directly
to disinvestment. But... divestment is bad publicity for American companies
and affects their decision-making nevertheless." One student articulated this
position in the following manner:

The sale of stocks of companies doing business in South Africa by
the University of Pennsylvania will not directly affect the conduct
of those companies. However, if Penn divests it will encourage
other institutions to consider divesting. If some of the
institutions then divest, even more institutions will consider
divesting. In this way, the divestment movement could gain enough
momentum to have substantial impact on corporate policy. A movement
such as this would bring such bad publicity to the firms in question
that they would have no choice but to reconsider there [sic]
presence in South Africa.

QUESTION 8: Would the political and economic position of the black majority
in South Africa be better or worse—both in the short run and the
long run—if American companies withdraw from South Africa?

Question 8 gave rise to an extremely broad range of responses. Fifteen
(15) respondents argued that South African blacks would be worse off if the
corporations withdrew. One individual noted that:

[B]lacks would lose substantial employment opportunities. And,
especially if European companies followed suit, the South African
economy could become depressed, resulting not only in more
unemployment for blacks... The antagonism of the ruling white
minority toward blacks would increase as they would be seen as the
cause of the depression. If the economy should deteriorate far
enough there is the possibility of greater riots and bloodshed...

Other respondents commented that "Foreign workers would be particularly hurt
by the divestment and this effect would carry over to many neighboring
countries which are in political and economic turmoil." One individual stated
that:

[D]ivestment hurts the very people we seek to help. Chief Buthelezi
sums up this argument with these words, "Not only will the poverty
and misery of Black South Africa be increased by a successful
divestment campaign; political progress towards positive change
will be impaired..." Just recall that it was the
industrialization of our South that did so much to break down
racism, raise Black living standards, and encourage Black political
activity.

The GAPSA response to Question 8 though, notes that "U. S. companies
concentrate their activities in technology and capital intensive sectors of the
South African economy, and employ a very low percentage of the non-white
labour force."
The answers of three (3) individuals expressed the opinion that while the economic position of the black majority and the white minority will be harmed in the short run by U.S. withdrawal....In the long run the economic affects will not be large, as South Africa will still be able to export its natural resources. There may also be an influx of capital from other sources...."

Seven (7) responses reflected the position that "Although the short-term economic effects of disinvestment would hurt the black majority temporarily, such as any strike or boycott, the short and long term political effects would help them dramatically....If economic sanctions are maintained until the black majority requests their removal, then Botha will eventually be forced to negotiate with the black leadership."

According to the Penn Anti-Apartheid Coalition:

The withdrawal of American companies from South Africa, combined with economic sanctions imposed by the international community, especially the United States, could seriously dislocate the South African economy. In the event of such dislocation, the economic position of black South Africans would probably worsen in the short run....But it should be remembered that the present economic position of blacks is bad, especially when compared to the position of whites....If political rights are granted before the economy is destroyed by the intransigence of the government, there is no reason for the economic situation of blacks not to improve.

The rest of the responses to this question adopted widely scattered viewpoints, ranging from the proposition that "The policies of American companies, and whether or not they withdraw from South Africa, is also not for the University to define or decide," to the observation of one student that "Undoubtedly the Blacks who are benefitting [sic] from employment with American companies would be hurt. However, numerous Black movements... appear to favor divestment." Another student argued that there could be reform without harm to the economic position of the blacks due to the existence of an "intermediate period, while divestment begins to pick up around the country but before companies withdraw from South Africa. It is very likely that during such a period the South African government can be persuaded to change its present course." Finally, one respondent stated that "we cannot assign a financial value to freedom....[I]f disinvestment helps the blacks to achieve freedom it should be considered beneficial to them in the long run."

QUESTION 9: What would the effect of divestment be on the returns earned by endowment? If there is a risk that the effect would be significantly negative, would the University community be willing to have the Trustees compromise their fiduciary duties to earn maximum returns, consistent with risk, in support of the University's educational mission, i.e. is the community willing to bear the financial burdens in terms of higher tuition, less financial aid, and smaller increases in salary for faculty and staff?

This question was widely criticized as "unworthy," "specious" and "intimidating"; one respondent group referred to it as "a textbook example of a blased, leading or loaded question, because it implies that divestment will lead to higher tuition, less financial aid, and lower salary increases."

At least eleven (11) responses argued that divestment might not entail any financial loss to the University. According to Robert J. Vitale, President of the Drexel Bond-Debenture Trading Fund, with regard to the University stock portfolio, "there seems to be general agreement that divestment of large multinational corporations and reinvestment in smaller, more dynamic corporations will actually increase return, although there will be greater volatility or risk. Endowment funds are in the position where they should trade greater return for greater volatility risk." Mr. Vitale also stated with reference to the University's bond portfolio that:

4See also the December 2, 1985 report of the GSAS/GAPSA Joint Committee on Divestment.
While bond divestment will ordinarily involve greater concentration in lower-yielding U.S. government bonds, this will lower risk, offsetting some or all of the higher risk assumed in the equity portfolio and, at the same time, providing many advantages over corporate securities (such as lack of credit risk, increased liquidity, noncallability, and enormous variety of coupon and maturity).

The Penn Anti-Apartheid Coalition stated that in light of the "active nature of the University's portfolio, "the transaction costs associated with divesting in a careful, phased manner would therefore be within the University's normal costs of portfolio management," and further noted that:

The supposed problem of increased risk because of a resulting lack of diversity in the portfolio... is an excuse for not divesting... A glance at a financial listing will show literally hundreds of other, non-South African related holdings, with levels of risk and rates of return comparable to those holdings which would have to be sold, or could not be bought.

Three (3) responses suggested that, in view of the deteriorating situation in South Africa, prudent investors will soon be withdrawing from that country anyway.

Two (2) individual respondents commented that divestment would have a negative impact on the returns earned by the endowment. One such respondent (who explained that financial impacts "certainly are not the decisive factor in my position") observed that certain studies:

which reported positive returns [following divestment] did not adjust for the higher portfolio risk nor for the 'small firm effect.' Given that disclaimer, it is easy to reconcile the apparent anomalies of the recent neutral or positive experiences of divested portfolios. Once adjusted for risk and firm size, returns will fall—the only question being to what extent.

Nine (9) respondents appeared willing to suffer whatever adverse financial consequences might ensue from divestment. According to the Undergraduate Assembly, "our moral responsibility to take action against apartheid outweighs the financial risk of divestment." One student asked, "Can we not afford to shave a percentage point or two from earnings for the sake of supporting justice? Is this such a big price to pay when the moral authority of the Western world is at stake in South Africa?" A professor commented as follows:

I accept that we may suffer economically both through potential loss of income and from loss of the good will of the companies we divest. Speaking only for myself, I am quite willing to accept the consequences if they are negative; even if they mean a lower salary down the road.

Seven (7) respondents, on the other hand, did not believe that the University community would be willing to pay such a price. Wrote one student:

I am neither willing nor able to bear a financial burden, such as higher tuition and less financial aid, which would be connected to the implementation of a program like divestment. Since the University has an excellent rate of return on its endowment, the Trustees would be foolhardy to implement a policy of such dubious effect on both the endowment and the current conditions in South Africa.

Finally, one alumnus opined that "Whether the people within the community would be willing to bear their share [of the costs of divestment] is another question, but I am convinced that it would reduce the quality of life within the Pennsylvania community and, therefore, detract from its ultimate mission."

See also the November 1985 report of the University's Office of Investments, entitled Investment Costs of South Africa-Related Divestment.
After reading the concluding "recommendations" section of the University Responsibility Committee's report, Mr. Brown moved the adoption of a resolution on the report. After the resolution had been seconded, Mr. Miller called for discussion, noting that enormous time and effort had gone into the production of the report and characterizing it "as the closest the Trustees could come to a consensus today."

Dr. Clayton then read the following statement, which she noted she had transmitted to the University Responsibility Committee the previous day.

Permit me to join and to endorse strongly the sentiments expressed by The Honorable A. Leon Higginbotham, Jr., in his separate statement to the Report of the Committee on University Responsibility. The Committee's Report reflects a sensitive and substantially accurate diagnosis of the challenge posed to the University by the inhumanity of apartheid in South Africa. Unfortunately, that same report falters and offers an inadequate response to that challenge.

The moral imperative of opposing apartheid and the urgency of the need to seize dwindling opportunities for meaningful reform demand more than a mere agreement for yet another Committee to revisit the issue eighteen months from now.

The Committee Report captures the essence of my concern when it states that "the time for meaningful change is now." I urge the Trustees to decide now that when the eighteen-month grace period expires, unless apartheid has loosened its stranglehold on the nation of South Africa and its people, this University will move expeditiously to sever its economic ties with that nation.

Dr. Clayton went on to say:

I have since had the opportunity to review the final report brought to the Trustees today. My views remain unchanged. I will vote against a proposed resolution in its present form. Please permit me to explain why.

First, the proposed resolution speaks expressly in terms of "stock," "shares," and "equity investment." Thus even if the Trustees were to adopt this resolution today, the University could continue and even expand its economic stake in companies doing business in South Africa through the use of bonds, debentures, and other investment vehicles. Because I have raised this matter before and because the language has not been changed to the more generic term "securities," I must assume that this loophole has been intentionally created and intentionally maintained.

Second, the proposed resolution purports to promise complete divestment of the University's holdings in companies doing business in South Africa if the government of South Africa fails to make "substantive progress" in dismantling apartheid, however, the proposed resolution fails to define what constitutes a "reasonable period of time" after which the University will sell its holdings in companies failing to withdraw from South Africa. Consequently, what could have been a good faith attempt to provide a necessary grace period has become yet another opportunity for delay.

Third, the triggering mechanism for sanctions which is contained in the Committee Report to which the proposed resolution refers does not specifically require the South African government to take all of the steps the Committee itself describes as essential to "substantive progress."
Fourth, the proposed resolution allows and then proceeds to undermine a limited immediate divestment effort by failing to extend that effort to companies receiving a low point rating of III-A on the Sullivan Principles. Nothing in the Committee Report provides any basis for delaying immediate divestment from those companies that have failed to measure up fully to the Sullivan Principles.

Fifth, the proposed resolution fails to ensure a meaningful "freeze" since even if the Trustees were to adopt this resolution today, the University could continue to purchase securities in many companies doing business in South Africa including those identified as having received a low point rating of III-A on the Sullivan Principles.

Even in the absence of any other considerations, the problem I have described would compel the conclusion that this proposed resolution is fatally flawed and provides for sanctions that are, at best, illusory.

But I am moved by another consideration. As a life-long educator, I am concerned about what we teach our young people. Teaching is not limited to the classroom. We teach by the messages we send and the roles we model. This proposed resolution sends an unhealthy and counterproductive message to our young people. If we adopt this proposed resolution, we will act as poor role models for our young people. Regardless of what is intended, when we take timid, tepid, and illusory action on a moral issue of this magnitude, we send messages and model roles that elevate cynicism, lack of resolve, and complacency in the face of moral outrage to the level of acceptable, desirable and even preferred conduct.

I fear that in failing to seize the moral moment now before us, we condemn ourselves and, more importantly, these young people to the ranks of those whom Nobel Laureate Bishop Desmond Tutu describes as wanting change so long as things remain the same. When the issue is apartheid, things should not, and indeed must not, remain the same.

I will vote for change and for the future, and for our young people who are struggling on this campus, in this city, across the country, around the world, and in the streets and townships and prisons of South Africa. I will vote against the resolution.

Judge Higginbotham then offered his views. He began by saying that he would rate the process of producing the Report on Investment in Companies Doing Business in South Africa "AAA". "The effort to make as impartial a judgment as possible has been exemplary," he said. "And represents the University of Pennsylvania at its best. But," he went on to say, "there is a serious problem, and... it involves just three words, 'or substantially all' which are used by the committee in the following paragraph: The Committee would define 'dismantling the legal structure of apartheid' to include, but not be limited to, the elimination of the laws and conditions attendant to apartheid that deny human rights, civil liberties, political rights, and individual economic opportunities to the nonwhite majority of South Africans. In evaluating whether 'substantive progress' has occurred, the Committee will require that all or substantially all of the following steps will have been taken..." Judge Higginbotham then summarized his objections to the qualifying phrase, which are reflected in the following statement.
First, I want to note my deep appreciation for the conscientious and thoughtful manner in which the Committee has studied this matter. Under the superb leadership of Paul Miller as Chairman of the Board of Trustees and Richard P. Brown, Jr., as Chairman of the University Responsibility Committee, the Committee has given much thought to this complex problem and it has attempted to evaluate all of the viable options. In some ways it is disquieting to write this dissent because I know that all of the members of the Committee have pursued with exceptional diligence the formidable task assigned us. Of course I agree with the majority's report insofar as it describes the venality of apartheid, South Africa's persistent violation of the human rights of nonwhites, and the reasons why it is appropriate that the University should consider divestment of its ownership of securities in companies which are doing business in South Africa— even when those companies are in full compliance with the Sullivan Principles.

In many ways the majority report is a positive step forward for Ivy League universities. However, I must dissent to, or abstain from, the majority's report since, as was evident in our many discussions, we do not agree on what "substantive progress" is necessary towards dismantling the legal structure of apartheid as a condition for not divesting securities. In my view, all of the steps noted in pages 14 and 15 must be taken. From the majority's view far less could be done by the South African government and it would nevertheless be "substantive progress" and thereby preclude compulsory divestment. On Tuesday, January 14, 1986, thousands of students, faculty and administrators, cheered Bishop Tutu as he presented his lecture at the University of Pennsylvania. The response to his lecture was exhilarating and overwhelming; he was compared to Gandhi and Martin Luther King. Now, three days later, we are not willing to say that we will divest stock if eighteen months from now Bishop Tutu and twenty-three million other black South Africans still cannot vote in their native land. Our vote today suggests that we do not comprehend the significance of Bishop Tutu's frequent statement that what they seek is not a slight loosening of the chains of apartheid but rather, the complete elimination of those shackles.

In the period of years that we have been considering what the University's investment policy should be toward companies doing business in South Africa, the status of blacks in South Africa has not changed.

I was chair of the Committee on University Responsibility in 1980 when I came to the reluctant conclusion that the University should not divest, but should at least insist that companies in which it holds stock should follow the Sullivan Principles in South Africa. At that time, I had hoped that over time there would be a change in the hearts of the leaders of South Africa, so that there would be progress and what we could call real substantive change. Yet, today—more than five years after that decision—we must squarely face the facts. And the facts are that today, as we again continue this debate, blacks in South Africa remain in the same position as they did in 1980. Astoundingly, little has changed.

In 1980, not one black could vote in national elections in South Africa; today, not one black can vote in national elections in South Africa. In 1980, the pass laws were in effect, making it a crime for blacks to be in urban areas for more than 72 hours without a permit, and making it a criminal offense for blacks to go anywhere without carrying their passbooks with them at all times; today, these laws still dominate the daily lives of blacks in South Africa.
In 1980, the Group Areas Act, which divides the urban areas into separate geographical areas where whites, blacks, Indians and colored are forced to live separately was in effect; today, as we talk, the Group Areas Act still relegates blacks to segregated townships, set at a distance from the white urban areas. Today, in 1986, many of those townships are occupied by the South African military with caspirs and other military vehicles carrying soldiers in full combat gear, patrolling the streets and maintaining a constant presence.

In 1980, the Reservation of Separate Amenities Act, which provides for the reservation of separate but unequal facilities for different races, and prohibits the courts from declaring invalid segregated (and for blacks generally inferior) buses, trains, restaurants, libraries, and other facilities was in effect. Today, this separate and unequal policy remains the law of the land in South Africa. Today, as we discuss these issues, millions of South African blacks are consigned and confined to so-called tribal homelands, deprived of their South African nationality and citizenship, made foreigners in the country of their birth. Not one of these laws has changed.

What changes have been made in South Africa since 1980? The only changes have been a smoothing of the rhetoric and a heightening of the hostility. What has been the substantive change? Has the right to vote, the core fundamental right of any democratic system? Have the pass laws and other laws giving effect to the policy of influx control been changed? Have the laws that force black migrant workers to live away from their families eleven months of the year, confined to the dreary existence of single sex hostels been changed? Has the Population Registration Act, which requires each and every member of the population to be classified as a member of one of four racial groups, a label which then determines where that person can live, where that person can go to school, what kind of education is received, what that person can work, and whether that person is able to travel freely in the country of his or her birth - has that Act been repealed? Tragically, for the 23 million blacks in South Africa, the answer to each of these questions - which we cannot ignore - is "No."

I put it to you, what substantive changes has been made in South Africa? Yes, the laws forbidding interracial sex and marriage have been repealed. Certainly this is not the type of substantive change that we seek; certainly this, without substantially more, does not touch the essence, the core of rights without which no country can claim the label "democracy."

I believe that after years of evaluating and re-evaluating, years of waiting and allowing the South African government still more time to make significant changes, I believe the time has come for us to state our policy in clear and unambiguous language: that unless specific, real substantial change is made in the laws of apartheid within 18 months, that we will act - not re-evaluate - but act to divest the University's holdings in companies doing business in South Africa.

Dr. Martin Luther King once said:

We often find that on some position, cowardice asks the question, "is it safe?" Expediency asks the question, "is it politic?" Vanity asks the question, "is it popular?" But conscience must ask the question, "is it right?" And there comes a time when one must take a stand that is neither safe, nor politic, nor popular. But one must take it because it is right.

Certainly, after years of patient tolerance with South Africa's meaningless rhetoric, it is right to make specific plans for divestiture if fundamental change does not occur within the next eighteen months.
Mr. Lockard requested that his opposition to the resolution be recorded. Then, Mrs. Wexler offered the following views:

I have served on this committee through all of its deliberations for many years. With my treasured and respected friend, Judge Higginbotham, I participated in earlier discussions, and like him made the judgment that the best thing that time was to invest ourselves in an idealistic kind of pragmatic solution, namely, to go with the Sullivan Principles... If I understand Leon clearly, he is behind the part of the resolution that still applies the leverage of American business to continue to up the ante, namely, to join ranks with economic pressures within South Africa to [change the opinion about apartheid of the current South African government] or to bring down the government itself, that he believes an eighteen month window, to allow two sessions of the legislature in South Africa, is a good and prudent and gutsy judgment, which may be a more important kind of real leverage than the symbolic washing of our hand of "Divest Now." The problem that we wrestled with yesterday was how much was this weasling, intentionally or unintentionally on the part of the Trustees about a trigger mechanism, and how much was it a prudent, honest, straightforward statement about what we were demanding. In total consensus, the group yesterday, and again today, has stayed with the change in language that made those verbs action verbs and not hypothetical verbs. They say the Trustees, the committee will - there is no fudging. The only difference of opinion as I hear you, is on "all or substantially all." I make my vote with the committee action because I trust my colleagues in this room as I trust few people I have ever worked with before. I believe this process has shown these trustees to be men and women of their word, and that they are not fudging. I believe that as I believe few other things. I have sat in other groups on this issue, who have decided to divest, whom I think were not doing it with as much integrity and guts and precision as our colleagues are today. I stake my conscience as an educator, I stake my conscience as a person, that we mean what we say and we mean "all or substantially all" and not "tinkering all."

The final speaker, Mr. Jones, noted that observance of the anniversary of Martin Luther King's "untimely and tragic death" caused him to reflect on the issue of timing. He recalled that 100 years passed between the end of the Civil War and enactment of the "first meaningful civil rights legislation with enforcement mechanisms... Even today, to my great disappointment," Mr. Jones said, "we have an environment here at Penn that is not conducive to a growing and healthy black presence, something to which we should all be addressing ourselves." He noted that in the United States, blacks constitute a minority of some 19 percent of the population. "When we look at South Africa," he said, "we are looking at a majority of something over 70 percent of the population." Mr. Jones observed that three times in the past three and a half years he had been to South Africa where he had the privilege of meeting with President Botha, Chief Buthelezi, and other black leaders, government figures both in the ruling party and in the opposition, as well as with white business leaders. "I want to say," he continued, "that the most effective foes of apartheid are the members of the business community in South Africa itself. They have found that they can't develop their businesses, they can't have a healthy nation, they can't have a prosperous economy so long
as apartheid continues. I think in asking for 18 months versus our own
dilatory approach here in the United States, we're not being unreasonable.
The change that we're asking for in these points that are in the
memorandum are truly massive changes. I've been led to believe by white
businessmen in South Africa and by some black businessmen in South Africa
that the opportunities are good for a change in the 'pass laws' and the
'influx control' laws in this session of the parliament. If we get that
kind of movement started, I think that what we should be doing is not
washing our hands of this affair by a symbolic act but rather by
continuing to work with the business community in South Africa...to
force change, the termination of apartheid, which is a truly repugnant
system. I will vote for this particular resolution, recognizing that 18
months is a very, very short time."

Mr. Miller then asked for a voice vote on the resolution offered by
Mr. Brown.

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

Intention:

The Report of the Committee on University Responsibility, with
Recommendations, Concerning University Policy Relating to Investments
in Companies doing Business in South Africa dated January 16, 1986 has
been circulated to the Trustees in advance of today's stated meeting.
This report includes a number of recommendations pertaining to the
University's ownership of stock in companies doing business in the
Republic of South Africa. The trustees are united in their abhorrence
of apartheid and intend to adopt the recommendations of the Committee.

RESOLVED, that the Trustees accept the Report of the Committee on
University Responsibility to the Trustees, with Recommendations,
Concerning University Policy Relating to Investments in Companies
doing Business in South Africa, dated January 16, 1986, and adopt the
Committee's recommendations as follows:

(1) If the Committee on University Responsibility determines that
by June 30, 1987, substantive progress has not been made by the South
African government in dismantling the legal structure of apartheid, as
defined in its report dated January 16, 1986, the Committee will ask
companies in which the University owns stock to withdraw from South
Africa. If a company fails to withdraw from South Africa within a
reasonable period of time thereafter, the Committee will recommend
that the University divest its holding in that company. In carrying
out this resolution, the Committee shall communicate now with
companies in the University's portfolio having South African
operations to encourage their active efforts to end apartheid and to
inform them of the University's expected timetable.

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

(3) Any company in which the University holds an equity investment
which operates in South Africa and which receives a Sullivan rating of
III-A (Received Low Point Rating), should improve its rating by the
next Sullivan reporting period, and if no improvement is noted in the
subsequent report, the Committee should recommend the sale of the
University's stock in that company, such divestment to be carried out
in a prudent and orderly fashion.
(4) The University should not purchase any shares of stock in companies which do business in South Africa and which:

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

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

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

Mr. Lauder and Mr. Neff abstained. Dr. Clayton, Ms. Hall, Judge Higginbotham, Mr. Lockard, and Mr. Paul Steven Miller identified themselves as voting "nay."

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University