

THE INSTITUTE FOR ADVANCED STUDY

Minutes

Joint Meeting of the Finance and Budget Committees

April 27-28, 1979

Present: Messrs. Houghton (Chairman), Dilworth, Hansmann, Segal, Petersen, Woolf.

Also, Ms. Modzelewski and Messrs. Hunt, Jenkins, Lee Minton, Rowe.

Absent: Messrs. Simon, Taplin.

Presiding Officer: Mr. Houghton opened the meeting at 1:30 p.m.

Minutes: The Minutes of the meeting of the Finance Committee which was held in New York City on January 9, 1979, were approved.

Status of the Eno Property: Dr. Woolf reported that the most recent asking price of Mr. Eno was \$350,000, as compared with the highest appraisal (\$295,000) which the Institute had received.

The general sense of the Board was that a settlement should be sought which split the difference, but that it would be worthwhile going somewhat higher if necessary to secure the property.

Portfolio: Mr. Minton described the present economic forecast and then reported on the fixed income portion of the portfolio. After a description of the functioning of the overnight fund and some questions by the Committee with reference to insurance and average amounts held, it was agreed that Mr. Petersen

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would send to the Committee the memorandum which he has on the subject. After noting that the current market value of the portfolio was \$65 million, Mr. Hansmann described in some detail various elements of the fixed income section of the portfolio and then asked Mr. Jenkins to report on portfolio changes.

After Mr. Jenkins' review, Mr. Hansmann pointed out that the total portfolio had not changed a great deal and that some 68% of the holdings were in common equities which corresponded to prevailing Committee guidelines with regard to the composition of the portfolio.

In response to Mr. Hansmann's observation that these guidelines should perhaps be reviewed again, Mr. Houghton and Mr. Petersen expressed satisfaction with the present situation and stressed the necessity for maintaining adequate flexibility.

Mr. Hansmann then reported that the Hochschild Trust had been consolidated. Questions were raised about the provisions for ownership, and it was agreed that the Committee would be informed in this regard.

Mr. Houghton then directed the discussion to a consideration of the resolutions governing the establishment of a pooled income fund and the approval of the April 23, 1979, declaration of trust and life income agreement.

These resolutions and accompanying material, which are attached, were approved for submission to the Board with a recommendation for adoption.

Mr. Rowe then pointed out to the Committee that action might be required before the next meeting of the Board in connection with the financing of the repairs now envisaged for members' housing.

Mr. Houghton stated that any such requests would most appropriately be addressed to the Executive Committee of the Board.

There being no further business before the Finance Committee, Mr. Houghton presided as acting Chairman of the Budget Committee in the absence of Mr. Taplin.

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At Mr. Houghton's request, Mr. Rowe reviewed the proposed Institute budget for fiscal year 1980.

Dr. Woolf then pointed out the changes in the budget resulting from proposed salary increases for faculty and staff as well as from a proposal for a revised benefits program.

Mr. Segal expressed his appreciation of the new budget format and asked to see the report of the consulting firm in connection with the changes in benefits.

A general discussion of the question of salaries and benefits followed, in which general agreement was expressed with the historic tradition of maintaining faculty salaries at levels comfortably above those of distinguished faculty at comparable institutions. At the same time, it was agreed that the benefits proposal should be examined as a separate item, in particular as regards retirement, and that the section on retirement should be read before the meeting of the full Board on the following day.

Mr. Petersen then asked that the special projects such as the Einstein Celebration be shown separately from the Director's Fund so that this Fund could be maintained at \$100,000 and used for support of members.

There was general agreement that a depreciation category should be included in next year's budget.

Mr. Hansmann noted the size of the deficit, and Dr. Woolf stated that he intended to review the overall financial situation with the faculty this coming autumn, with particular reference to the number of members invited. The aim of such a presentation will be to establish the true costs of members' stipends and academic support costs as a first step in developing an agreed-upon policy of relating the number of members invited to available funds in hand.

The Committee then agreed to recommend approval of the budget, subject to a review of the retirement component of the benefits proposal, and voted to re-convene the next morning at 8:30 for this purpose.

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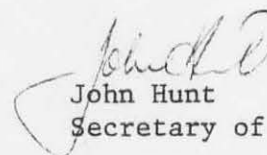
In the absence of Mr. Houghton, Mr. Hansmann took the Chair for the April 28 continuation of the Finance and Budget Committees meeting, and asked Mr. Segal for his reactions to the consulting firm's report on retirement benefits.

Mr. Segal stated that in his view, there was no reason to change the Institute's present retirement plan, given the existence of increased costs and salaries as well as of the deficit reflected in the present budget.

After some discussion, Mr. Dilworth suggested that the consulting firm be asked to prepare a more thorough report and to take up contact with Mr. Segal prior to preparing the final version of the revised report, for his suggestions, and after the report is finished, for his review. Mr. Dilworth also asked that the report be circulated to the Finance Committee well in advance of the October meeting.

The Committee then agreed to recommend approval of the budget, subject to elimination of the sum required for augmenting retirement benefits, pending further review by the Committee and the Board.

There being no further business, the meeting was adjourned at 9:30 a.m., April 28, 1979.



John Hunt
Secretary of the Corporation

RESOLVED, that the Institute establish a pooled income fund and that the April 23, 1979 draft declaration of trust and life income agreement, as presented to this meeting, be and the same hereby are approved and the officers of the Institute be and they hereby are authorized to execute the same in substantially the same form as presented to this meeting;

FURTHER RESOLVED, that assets of the Institute having a fair market value not to exceed \$500,000 at the time of the initial investment may be invested as part of the pooled income fund in order to establish a fund of sufficient size for investment purposes to attract potential donors. The investment objectives of this pooled income fund shall be to maximize annual income since it is felt that such a policy would be most attractive to potential donors.

FURTHER RESOLVED, that the Fidelity Bank be and hereby is approved to act as custodian for the pooled income fund and the officers of the Institute be and they hereby are authorized to enter into a custodian agreement with said Bank and to incur and pay for custodian fees and to charge such fees against the principal of the fund;

FURTHER RESOLVED, that the officers of the Institute be and they hereby are authorized to file an application for a ruling from the Internal Revenue Service that the pooled income fund qualifies under Section 642(c)(5) of the Internal Revenue Code of 1957, as amended;

FURTHER RESOLVED, that the officers of the Institute be and they hereby are authorized to register with, and report to, any state agencies, authorities, departments or other instrumentalities to the extent required by applicable state law in connection with the solicitation and collection of gifts to the pooled income fund in such states;

FURTHER RESOLVED, that the officers of the Institute be and they hereby are authorized to publicize the existence of the pooled income fund to potential donors and, in this connection, to take any and all necessary action, including, without limitation, the preparation of materials, brochures, advertisements and mailings and the preparation of a form of prospectus to potential donors making adequate disclosure under any applicable antifraud provisions of the Federal securities laws;

FURTHER RESOLVED, that the officers of the Institute be and they hereby are authorized to execute any and all documents, certificates, agreements or other instruments and to prepare or arrange for the preparation of such materials as may be required or deemed necessary to carry out the foregoing resolutions and, to the extent required, to file the same with any Federal, state or local governmental agency, authority, department or other instrumentality.

INSTITUTE FOR ADVANCED STUDY

LIFE INCOME AGREEMENT

1. The undersigned donor hereby contributes to INSTITUTE FOR ADVANCED STUDY POOLED INCOME FUND, created by the Declaration of Trust of the Institute for Advanced Study - Louis Bamberger and Mrs. Felix Fuld Foundation dated the day of _____, 1978, the following property:

Said property shall be added to and become a part of the trust created by said Declaration of Trust, which is incorporated herein by reference.

2. Pursuant to the rights reserved to the donor under said Declaration of Trust, the donor hereby designates the following beneficiary(ies) of the income interest in the property hereby transferred:

(If more than one beneficiary is designated, specify whether their income interests are to be consecutive and/or concurrent; if their interests are to be concurrent, specify their shares if such shares are to be other than equal).

3. The donor does (not) reserve the right to revoke or terminate by will the income interest(s) above provided. (Strike out "not" if this right is to be reserved.)

4. The donor also hereby contributes an irrevocable remainder interest in the property transferred hereunder, after the expiration of said income interest(s), to INSTITUTE FOR ADVANCED STUDY - LOUIS BAMBERGER AND MRS. FELIX FULD FOUNDATION.

5. This gift is effective upon acceptance by the Trustee.

Signed:

_____ Donor

Address:

The undersigned acknowledges receipt of the foregoing property and approves and accepts this gift this day of _____, 197 .

INSTITUTE FOR ADVANCED STUDY

By _____

Draft--April 23, 1979

INSTITUTE FOR ADVANCED STUDY

Pooled Income Fund

DECLARATION OF TRUST

DECLARATION OF TRUST, made this day of
1978, by the Institute for Advanced Study - Louis Bamberger
and Mrs. Felix Fuld Foundation (the "Institute"), a New
Jersey corporation not for pecuniary profit having its
principal office at Princeton, New Jersey.

W I T N E S S E T H

WHEREAS, various perspective donors wish to give
or bequeath property to or for the use of the Institute
but desire to retain an interest in the income therefrom for
life or to create an income interest therein for the life of
one or more other individuals living at the time of such
gift or bequest; and

WHEREAS, the Institute wishes to commingle any
such property transferred to it by all donors making similar
transfers so that such donors and their estates will be
entitled to a charitable contributions deduction for Federal
income, gift and estate tax purposes;

NOW, THEREFORE, the Institute hereby establishes
a fund to be known as the INSTITUTE FOR ADVANCED STUDY

POOLED INCOME FUND (the "Fund"), designates itself the Trustee of the Fund, and undertakes to hold the Fund IN TRUST, to manage, invest and reinvest the same, to collect the income therefrom and to comply with the following terms:

1. Gifts to the Fund. Each donor transferring property to the Fund shall do so in accordance with a Life Income Agreement substantially in the form attached hereto as Exhibit A and shall contribute an irrevocable remainder interest in such property to the Institute.

2. Life Income Interest. Each donor transferring property to the Fund shall retain a life income interest in the property transferred and/or create an income interest in such property for the life of one or more named beneficiaries, each of whom must be living at the time of the transfer of the property to the Fund by the donor (hereinafter referred to as an "income interest"). In the event that more than one beneficiary of the income interest is named, such beneficiaries may enjoy their shares of income concurrently and/or consecutively. The Institute may also be named as one of the beneficiaries of the income interest. The donor need not retain or create an income interest in all the income from the property transferred to the Fund,

provided any income not payable to an income beneficiary (under the terms of the Life Income Agreement) is contributed, and within the taxable year of the Fund in which it is received is paid, to the Institute. A donor may reserve the right, exercisable only by will, to revoke or terminate the income interest of any designated beneficiary (other than the Institute).

3. Commingling of Property. The property transferred to the Fund by each donor shall be commingled, invested and reinvested with other property transferred to the Fund by other donors satisfying the requirements of this Declaration and of Section 642(c)(5) of the Internal Revenue Code of 1954, as amended, or corresponding provisions of any Federal tax laws from time to time in effect (the "Code"). The Fund shall not include property transferred under arrangements other than those specified in this Declaration and satisfying such requirements. All or any portion of the Fund may, however, be invested or reinvested jointly with other properties, not a part of the Fund, which are held by, or for the use of, the Institute, such as any separately invested endowment funds. When such joint investment or reinvestment occurs, detailed accounting records shall be maintained by the Trustee specifically identifying the portion of the total fund which is owned by the Fund and the income earned by, and attributable to, such portion.

4. Prohibition Against Exempt Securities. The property transferred to the Fund by any donor shall not in-

clude any securities the income from which is exempt from the taxes imposed by Subtitle A of the Code, and the Trustee shall not accept or invest in any such security as part of the Fund.

5. Maintenance of the Fund by the Institute. So long as the Fund shall be in existence, the Institute shall maintain the Fund or exercise control, directly or indirectly, over the Fund. The Institute may resign as Trustee at any time and designate a successor Trustee or Trustees. Any Trustee other than the Institute may resign at any time by giving written notice to the Institute. The Institute retains the power to remove any such Trustee or Trustees and to designate one or more successor Trustees.

6. Prohibition Against Donor or Beneficiary Serving as Trustee. No donor to the Fund nor any beneficiary (other than the Institute) of an income interest in any property transferred to the Fund shall be a Trustee or have, directly or indirectly, general responsibilities with respect to the Fund of the character ordinarily exercised by a Trustee. The fact that any such donor or beneficiary is a trustee, officer, director or other official of the Institute shall not, without more, be deemed a violation of this provision.

7. Determination Dates; Valuation. A "determination date" is a date on which a valuation is made of the

property in the Fund. The determination dates of the Fund shall be on July 1, October 1, January 1 and April 1 of each year.

8. Unit Plan. The Fund shall be divided into units, and each income interest in property transferred to the Fund shall be represented by the number of units of participation in the Fund allocated to it.

On each transfer of property by a donor to the Fund on a determination date, there shall be assigned to the beneficiary or beneficiaries of the income interest retained or created in such property the number of units of participation equal to the number obtained by dividing the fair market value of the property transferred (determined as of such determination date) by the fair market value of a unit in the Fund immediately before such transfer (excluding all property transferred to the Fund on such determination date). The fair market value of a unit in the Fund immediately before the transfer shall be determined by dividing the fair market value of all property in the Fund at such time by the number of units then in the Fund. All units in the Fund shall always have equal value.

If a transfer of property by a donor to the Fund occurs on other than a determination date, the number of units of participation assigned to the income interest in such property shall be determined by using the "average fair market

value" of the property in the Fund, namely, the average of the fair market values of the property in the Fund on the determination dates immediately preceding and succeeding the date of the transfer of such property (excluding all property transferred to the Fund between such preceding and succeeding dates or on such succeeding dates). The fair market value of a unit in the Fund immediately before the transfer shall be determined by dividing the "average fair market value" of the property in the Fund at such time by the number of units then in the Fund.

The fair market value of the property in the Fund, as of any date, shall be the fair market value of the total principal assets of the Fund, less all liabilities, charges and expenses due or accrued which in the Trustee's discretion are proper principal charges, in such amount as may be reasonably estimated by the Trustee.

All determinations of the fair market value of property transferred to the Fund and of property in the Fund shall be consistent with any Treasury requirements governing pooled income funds and (to the extent not inconsistent with such requirements) customary fiduciary accounting practices.

9. Taxable Year--Distribution of Income. The taxable year of the Fund shall be the fiscal year ending June 30. The Trustee shall pay to each beneficiary entitled to income

of the Fund in any taxable year such income in an amount determined by the rate of return earned by the Fund for such year with respect to the beneficiary's income interest, payment to be made at least once in the taxable year in which the income is earned. Until the Trustee determines that payments shall be made more or less frequently or at other times, income shall be distributed quarterly to the beneficiaries entitled thereto on or about September 30, December 31, March 31 and June 30 of each year. Adjusting distributions, if necessary, shall be made during the taxable year, or within 65 days after its close, to bring the total distributions to the amount of the actual income to which each beneficiary is entitled for that year.

10. Allocation of Income. The amount of income allocated to each unit of participation in the Fund shall be determined by dividing the income of the Fund for the taxable year by the outstanding number of units in the Fund at the end of such year, except that income shall be allocated to units outstanding during only part of such year by taking into consideration the period of time such units were so outstanding and prorating the income for such period. For purposes of this Declaration, the term "income" has the same meaning as it does under Section 643(b) of the Code.

11. Termination of Income Interest. The income interest of any beneficiary of the Fund shall terminate with the last regular payment of income which was made before the death of the beneficiary or other termination of the beneficiary's income interest (whether by disclaimer, release, revocation or termination by the donor's will or otherwise). The Trustee of the Fund shall not be required to prorate any income payment to the date of such beneficiary's death or to the date of any other termination of such beneficiary's income interest.

Upon the termination of the income interest of any beneficiary or beneficiaries, the Trustee shall sever from the Fund an amount equal to the value of the remainder interest in the property upon which the income interest is based and shall pay the amount so severed from the Fund to the Institute. The value of the remainder interest for such purpose shall be its value as of the date on which the last regular payment was made before the date of death of the beneficiary or the date of any other termination of the beneficiary's income interest, which shall be computed by multiplying the fair market value of a unit on such date by the number of units to be severed and withdrawn.

12. General Powers. The Trustee shall have with respect to any and all property at any time held in the Fund the following powers in addition to those herein granted or conferred upon it by law:

A. To retain any such property as an investment without regard to the proportion which such property or property of a similar character, so held, may bear to the entire amount of the Fund and whether or not such property is of the class of which trustees are authorized by law or any rule of court to invest trust funds.

B. To sell, exchange or otherwise dispose of any Fund property at either public or private sale, for cash or on credit of any duration; to exchange any such property and to grant options for the purchase thereof without any limitation on the period of any such option.

C. To invest and reinvest in property of any character (other than as prohibited in Paragraph 4 above), real or personal, foreign or domestic, including, without limitation, bonds, notes, debentures, mortgages, certificates of deposit and common and preferred stocks, without regard to the proportion which such property or property of a similar character, so held, may bear to the entire Fund, whether or not such property is of the class of which trustees are authorized by law or any rule of court to invest trust funds.

D. To consent to and participate in or oppose any foreclosure, liquidation or plan of reorganization,

consolidation, merger, combination or similar plan and to consent to any contract, lease, mortgage, purchase, sale or other action pursuant to any such plan.

E. To deposit any Fund property with any protective, reorganization or similar committee, to delegate discretionary power thereto, to pay part of its expenses and compensation and any assessments levied with respect to any such property.

F. To exercise all conversion, subscription, voting and other rights of whatsoever nature pertaining to any Fund property and to grant proxies, discretionary or otherwise, with respect thereto.

G. To extend the time of payment of any obligation held in the Fund and to compromise, settle or submit to arbitration or release any claim in favor of or against any Fund property.

H. To cause any Fund property to be held in bearer or unregistered form or in the name of the Institute or a nominee; the liability of the Trustee shall be neither increased nor decreased thereby.

I. To employ professional investment counsel, and consult with them concerning the investments of the Fund; to employ accountants, legal counsel and

others for special services; to employ a bank or trust company as custodian of any funds or securities and to delegate to it such powers as the Trustee considers appropriate; and to pay compensation and expenses in respect of the foregoing.

J. When making a distribution (other than an income distribution) upon final termination of an income interest in the Fund, as provided in paragraph 11, to make such distribution wholly or partly in kind by the fair and reasonable allotment, at their current values, and transfer of specific securities or other personal property or undivided interests therein.

K. To do all such acts, take all such proceedings and exercise all such rights and privileges, although not hereinbefore specifically mentioned, with respect to any Fund property as if the absolute owner thereof, and in connection therewith to make, execute and deliver any instruments and to enter into any agreements binding the trust hereunder; provided that nothing elsewhere contained in this Declaration shall authorize the Trustee to take any action which would violate the provisions of Section 642(c)(5) of the Code and the regulations thereunder.

13. Additional Restrictions. Any other provisions of this Declaration to the contrary notwithstanding, the Trustee shall not engage in any act of self-dealing, retain any excess business holdings, make any investments or make any taxable expenditures, which would subject the Fund to any tax under Sections 4941, 4943, 4944 and 4945 of the Code, and the Trustee shall make such distributions as will avoid subjecting the Fund to tax under Section 4942 of the Code.

14. Incorporation by Reference. This Declaration may be, and is intended to be, incorporated by reference in any will, trust, or other instrument whereby property is transferred to the Fund and an income interest is retained or created for the life of one or more designated beneficiaries. Any property transferred to the Fund by will or otherwise whereby an income interest is so retained or created, where this Declaration is not incorporated by reference, shall become a part of the Fund and be held, managed and distributed under the terms of this Declaration unless the will or other instrument of transfer is inconsistent with such action, in which case such transfer shall not be accepted by the Trustee.

15. Limited Right of Amendment. The Institute shall have the power, acting alone, to amend this Declaration and instruments under which property has been transferred to the

Fund in any manner required for the sole purpose of insuring that the Fund qualifies as a pooled income fund within the meaning of Section 642 (c)(5) of the Code and the regulations thereunder.

16. Governing Law. This Declaration shall be governed and construed in all respects according to the laws of the State of New Jersey, provided that, in any conflict with Section 642(c)(5) of the Code and the regulations thereunder, said Code section and such regulations shall govern.

IN WITNESS WHEREOF, the Institute has executed this Declaration on the day of , 1978.

INSTITUTE FOR ADVANCED STUDY

By _____

[Seal]