

THE INSTITUTE FOR ADVANCED STUDY

Minutes

Meeting of the Board of Trustees

October 25, 1980

Princeton, New Jersey

Present: Mrs. Delmas, Messrs. Petersen (Chairman), Dilworth, Doob, Drell, Hansmann, Kauffmann, Stewart, Straus, Taplin, Wolfensohn, Woolf. Also, Mr. Linder. Also, Messrs. Hunt (Secretary), Bahcall, Rowe, Mrs. Grisham.

Presiding officer: The Chairman, Mr. Petersen, opened the meeting at 9:00 a.m.

Minutes: The Minutes of the meeting of the Board of Trustees held in Princeton, New Jersey, on April 26, 1980, were amended as follows and then approved.

Original text:

Resolved, that the Director of the Institute be authorized to market up to \$8.6 million in bonds on the understanding that up to \$4.1 million of the funds borrowed to replace funds previously borrowed from the endowment

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to cover construction costs be invested in fixed income securities and that decisions relating to the amount to be borrowed and the interest rate be left to the discretion of the Director, it being understood that the Director will clear his decision with the Executive Committee just prior to the actual offer of the bonds.

Amended text:

Resolved, that the Institute approve the financing of the construction and refinancing costs in the amount of \$8.6 million which were presented to the Board and authorize the Director of the Institute to execute and deliver the loan and security agreement by and among the New Jersey Educational Facilities Authority and the Institute.

Resolved, that the Director of the Institute is hereby authorized and directed to make, execute and deliver all such additional and supplementary documents and to do and perform such acts and to take such actions as may be necessary or required for the consummation of the financing and construction of the improvements.

Decisions relating to the amount to be borrowed and the interest rate shall be left to the discretion of the Director, it being understood that the Director will clear his decision with the Executive Committee just prior to the actual offer of the bonds.

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Remarks of the
Chairman:

Mr. Petersen announced the appointment of Gladys Delmas to the Executive Committee.

At the Chairman's request, a calendar of suggested dates for future meetings was circulated. After discussion, it was agreed that the dates would be verified individually with each Trustee and notification of the final calendar would be provided.

Report of the
joint Budget
and Finance
Committees:

The Chairman of the Budget Committee having been absent for the previous day's meeting of the Committee, Mr. Hansmann called on Mr. Rowe to present the post-closing budget. Mr. Rowe pointed out that the post-closing budget showed a decreased deficit projection as a result of cuts in budgeted expenditures and more positive estimates of endowment income. In discussing the components of the deficit, Mr. Rowe noted that a substantial portion of the deficit is accounted for by the inclusion of an item for depreciation.

After discussion, the post-closing budget was approved.

Mr. Petersen then expressed the gratitude of the Board to Mr. Taplin for his services as Chairman of the Budget Committee and named John Opel to the Committee as a replacement for Martin Segal.

Mr. Hansmann then reported on the meeting of the joint Budget and Finance Committee with the auditors and conveyed to the Trustees the general satisfaction expressed by the auditors in regard to the Institute's overall accounting practices. Mr. Hansmann noted

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that certain suggestions by the auditors concerning reallocation of responsibilities would be contained in the firm's management letter, which would be circulated to all members of the Board.

Mr. Hansmann then summarized briefly the Financial Review and Development Report, and noted that the total value of the portfolio is approximately \$95 million, an increase of some \$40 million since July 1, 1976, and will produce an estimated annual income of \$5.7 million. He noted that gifts, grants and contracts in all categories for the four-year period from July 1, 1976, through June 30, 1980, totaled \$14.5 million, while the operating deficit decreased from \$1.6 million in fiscal 1979 to \$637,000 in fiscal 1980, the lowest Institute deficit figure since fiscal 1967.

Mr. Hansmann reported that the continuing analysis by Hamilton, Johnston & Co., Inc. of the performance of the Institute's portfolio continued to be excellent and that the results achieved by the equity portion of the portfolio were the highest of any monitored by the firm. In fiscal 1980, the endowment fund produced a 30.6% annual rate of return versus 18.6% on the Hamilton, Johnston comparative yardstick, a superior result.

After a summary of the presentation by representatives of Rockefeller & Co., Inc. on the equity portion of the portfolio and by a representative of the Fidelity Bank on the fixed income portion, Mr. Hansmann noted that the Finance Committee was in favor of an elastic approach to the application of current guidelines for the portfolio and would re-examine the matter at its forthcoming January meeting.

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At Mr. Hansmann's request, Mr. Rowe then provided a status report on the bond issue. Mr. Rowe noted that proceeds from the bond issue brought the Institute revenues of \$8.6 million. Of this sum, \$4.1 million was transferred to the fixed income portfolio in accordance with the Board's instructions; \$3.3 million went to the construction fund which is held on deposit by the trustee (First National State Bank of New Jersey), and \$1.2 million was used to cover expenditures and advances for repairs and capital acquisitions.

Mr. Hansmann then informed the Trustees that the Institute had received partial payment in the amount of \$93,462 on the Equity Funding Corporation investment. He estimated that another payment of some \$23,000 could be expected, plus a bill of undetermined amount for legal services, and noted that Mr. Rowe had been asked to prepare a summary of this transaction for distribution to the members of the Budget and Finance Committees.

Mr. Petersen announced the appointment of Charles Brown to the Finance Committee and then asked Dr. Woolf to present the question of required policy guidelines for foreign gifts and grants. Dr. Woolf stated his intention of seeking financial support from foreign sources and asked for a clarification of Board policy on the matter. Specifically, he asked what the Institute's response should be if a foreign government wished to provide funds to support its own nationals on the understanding that the entire selection process would remain in the hands of the Institute's Faculty.

Dr. Drell stated that the Institute should not accept funds of any kind from foreign sources if there were

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conditions attached which would restrict the Institute's freedom of action.

Dr. Woolf pointed out that such restrictions existed on NEH funds, and Dr. Drell said that it was his belief that the Institute should take the lead in resisting all restrictions of this kind.

After discussion, it was agreed that the Director should continue to seek foreign funding, and if gifts or grants are proposed which carry restrictions, the matter should be decided by the Board on a case by case basis.

Report of the
Special Committee on
Land Development:

Mr. Dilworth reported on the current status of the land development project. Among the principal points in his presentation were the following:

- The total number of units now under consideration is approximately 500, of which 40 to 50 units will represent low-cost housing.
- The financial return to the Institute even with the reduced number of units is such that the project remains feasible.
- The burden of negotiating with the community will now shift to the Collins Development Corporation.
- The next detailed presentation to the Princeton planning board will probably take place before the end of 1980.
- A new financial chart will be prepared by the consultants, incorporating the new assumptions on density and showing new financial projections.

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- A proposal for the husbandry of the Institute woods will now be prepared.
- The new draft letter of intent between the Institute and Collins Development Corporation does not need to be dealt with at this time.

Mr. Dilworth then commended the work of the consultants Donald Elliott and Richard Weinstein, and Mr. Petersen asked the Secretary to send an expression of the Board's appreciation to the consultants.

Report of the Nominating Committee:

Mr. Petersen appointed a new Nominating Committee consisting of James Wolfensohn (Chairman), Gladys Delmas and James Houghton. It was agreed that the length of terms would be as follows: Mr. Wolfensohn for three years, Mrs. Delmas for two years, and Mr. Houghton for one year.

Dr. Woolf, citing the need for representation at Board level of a broader constituency, particularly from abroad, suggested that the permissible number of Board members be increased to 25.

Mr. Dilworth noted that it would be a good thing for the Institute to have more Trustees present at Board meetings.

Mr. Petersen stated that the Nominating Committee should consider an automatic removal clause for those who fail to attend meetings on a reasonably regular basis.

It was agreed that the Nominating Committee should work out a procedure in these matters for Board consideration.

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The resolution to increase the size of the Board was approved:

Resolved, that the membership of the Board of Trustees of the Institute for Advanced Study be increased from 20 to 25, subject to the necessary legal modifications of the bylaws.

Report of the
Director:

The Director announced that there were 157 members at the Institute this year compared to 168 for the previous year.

He then described the work of the Visiting Committee for the School of Natural Sciences and said that a report would be made available to the Board in April.

In commenting on Dr. Woolf's plan for one such visiting committee in operation each year, Mr. Wolfensohn asked if the process could be speeded up so that the reviews of the Institute's Schools could be completed in less than four years.

Dr. Woolf then described the initial steps which had been taken to deal with a growing shortage of Faculty office space and described various initiatives designed to provide the Trustees with more exposure to the Faculty.

Mr. Straus suggested that the meetings between the Faculty Liaison Committee and the Trustee Executive Committee should take place on a regular basis on the occasion of the fall and spring meetings of the Board.

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Mr. Petersen suggested that an annual Faculty-Trustee dinner should be held in conjunction with one of the Board meetings.

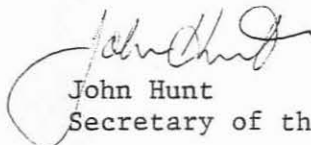
Dr. Woolf then described two possible art acquisitions for the Institute, one by Tony Smith and the other by the son-in-law of André Weil. The Board voted to accept the Smith sculpture and voted negatively on the portrait of Robert Oppenheimer.

Dr. Woolf then described efforts to create a Friends organization for the Institute and noted that to date there are 57 Founding Friends, from whom direct contributions in the amount of \$60,000 have been received.

In a brief report on buildings and grounds, Dr. Woolf noted that most of the repairs envisaged for the members' apartments have been completed and that initial steps have been taken for remodeling a room in Marquand House to be used as a conference room. Additionally, a comprehensive landscaping plan has now been completed. Once priorities have been designated and assigned within the framework of this plan, it will be presented to the Board.

Dr. Woolf then introduced Professor John Bahcall of the School of Natural Sciences, who spoke to the Board about the space telescope project.

There being no further business, the meeting was adjourned at 12:30 p.m.


John Hunt
Secretary of the Corporation