cc. J. Richardson Dilworth

THE INSTITUTE FOR ADVANCED STUDY
PRINCETON, NEW JERSEY 08540

CONFIDENTIAL

Memorandum to: Harry Woolf

From: Allen Rowe

Date: April 20, 1981

Subject: The Fidelity Bank

On April 16, 1981, $1,050,000 of U.S. Treasury Bills held in our Collateral Reserve Fund matured. Two days prior to that date the trustee (First National State Bank of New Jersey) called The Fidelity Bank and reminded them that these Treasury Bills were maturing. Having heard nothing by April 16 they called The Fidelity Bank again. Fidelity did not get the funds reinvested and we lost three days interest (approximately $1,500) because of Good Friday and the Easter weekend. The Fidelity Bank is in the business of investing funds and should not miss a maturity date, especially once having been reminded. This one came to our attention, but are there others that have not.

The loss of interest is serious enough but perhaps even more serious is the fact that the securities substituted by the Fidelity Bank for those originally in the Collateral Reserve Fund are not in compliance with the Bond Resolution. Securities held in the Collateral Reserve Fund must have a maturity date later than the first date on which all the bonds may be redeemed. This date is July 1, 1990.

Do you want me to draft a letter to someone at The Fidelity Bank or do you prefer to wait until Dick Dilworth is firmly in place as Chairman and refer to this incident privately with the Board as one of the many reasons for wanting to leave Fidelity.

Al

Memorandum from 1/11/79
RALPH E. HANSMANN

To: John Hunt

Perhaps the easiest way to deal with the Fidelity Bank fee, which we discussed at the Institute's Finance Committee meeting last Tuesday, would be to incorporate the attached memorandum from the Fidelity Bank in the minutes of the meeting.

Best and regards.

R. E. H.

THE FIDELITY BANK

INSTITUTE FOR ADVANCED STUDY

ANALYSIS OF FEE AGREEMENT

Present Fee Agreement: Presently the Institute pays The Fidelity Bank a flat annual fee of $12,000 for all services rendered. Services presently rendered are: Custodian for $55M account, cash management of uninvested income and principal, full investment management of $19M in fixed income securities, portfolio manager attendance at quarterly review meeting, monthly statements, and a monthly report summarizing all transactions.

Analysis of Fee: A fee based upon the size of the two segments of the account based on year-end size. The fee would be calculated as follows:

a) Fixed Income Segment - formally acknowledge the investment management of the $19M fixed income account. The fee for this segment would be calculated on 1st $5 million @ $11,250 and $1 per $1,000 on the balance; presently $14,498,000. The fee for this segment based upon present size would be $25,748.

b) Custodian Segment - balance of account would be considered a custodian account. This segment would be calculated on 1st million @ $3,450, $.25 per $1,000 on next $20,000,000 and $.15 per $1,000 on balance. The fee for this segment based upon present size would be $8,109.

Based upon the above, the total fee at the present size of the account would be $33,857. In addition we would normally receive, 1) a service charge for each security transaction (307 processed in 1978) @ $13 each for $3,991, 2) a fee for the monthly transaction report of $1,800 for a total fee of $39,648.

It should be noted that these fees are from the reduced non-profit fee schedule. If this account was a corporate customer the fees for this service would be $107,000 per year.

January 4, 1979

FINANCIAL MANAGEMENT DEPARTMENT