Executive Board, November 13, 1970

proceeding as setting forth the required standards of conduct. The applicable NYSE Rule, Rule 92, prohibits the sale of a security on the Exchange for the account of a member firm or a participant in the firm at any time that the member holds a market order or has knowledge that his firm or any participant therein holds a market order to sell the same security for a customer. With respect to limited price orders, sales are similarly prohibited at any price at or above the price of a limited price order held for a customer.

This rule does not appear to be as all inclusive or as strict as the required standards of conduct promulgated in the Kidder Peabody opinion of the SEC. Since Butcher and Sherrerd did not hold an order from the University to sell Penn Central stock between May 15 and May 22, there would not appear to be even a technical violation by Butcher & Sherrerd of Rule 92. Furthermore, sales effected by Butcher & Sherrerd for its own account, its principals, or in the account of participants in the firm on Tuesday and Wednesday, May 16 and 17, were effected at prices lower than the limited price order than held by Drexel Harriman Ripley, Incorporated. On May 22, Butcher & Sherrerd did execute one transaction at $12 for the account of the University on the Philadelphia-Baltimore-Washington Stock Exchange, which has a rule (452) identical to NYSE Rule 92. We are advised, however, that this transaction was not the result of a previously existing sale order placed with Butcher & Sherrerd, but rather occurred when Mr. Butcher, noting the availability of the bid on the P-B-W Exchange, checked to see whether the University still had 40,000 unsold shares and effected the transaction immediately.

Counsel for Butcher & Sherrerd have maintained vigorously that the firm's actions do not violate these Stock Exchange rules, and on the basis of the facts developed to date, we believe there is merit in that position.

Yours very truly

DRINKER BIDDLE & REATH

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APPENDIX E

TO: President Martin Meyerson
FROM: John C. Hetherston
DATE: October 27, 1970
SUBJECT: Background Information regarding 3:00 p.m. meeting on Thursday, October 29, 1970

Anticipated Attendance: President Meyerson, Mr. Freedman, Mr. Hetherston, Dr. Hobottter, Mr. Manley, Mr. Sweeten

There will be several interrelated matters presented. The fundamental decisions which need to be made are as follows:

1. Shall we attempt to switch a "gift" to the Graduate Center from that project to what will eventually be "free funds?"

2. Would we be willing to name one of the towers in the graduate housing area for the donor in recognition of the change in purpose of the gift?

3. Should we at this time conclude that the proposed means of financing the Graduate Center is unrealistic and that the
plans which have been developed are inappropriate in view of their costs and the change in needs and terminate the projects as it is presently conceived?

4. Should we at this time conclude that the proposed means of financing the Computer Center is unrealistic and that the plans which have been formulated are inappropriate in view of the development of the Science Center and the emergence of a regional approach to computer facilities.

Some of the background relating to these matters is that we have received from an Emeritus Professor and his wife under date of September, 1967, a commitment to provide a sum of $500,000 within ten years from that date or under their Will toward the cost of construction of the Graduate Center subject to the requirement that the ground be broken within 18 months from the September, 1967 date. Because of delays in obtaining the site and in obtaining the balance of the required funding the donor has agreed to an extension of the time provision contained in the terms of the gift, but has reserved the right to at any time terminate the University as the ultimate recipient of a life income trust in which case the half million dollars shall be payable to such other appropriate organizations as they may designate or to Knox College. The donors have drawn Wills in conformity with the terms of the gift and their Wills specify at the present time that the University will receive the entire proceeds of their estate which will be considerably in excess of the amount of the gift. Recently the donors have asked for a statement in writing relating to the status regarding progress on construction of the Graduate Center. I am enclosing a draft of a letter which with your concurrence I would propose to send to Mr. Lloyd Myers, Assistant Treasurer, who will transmit it to the donors.

In round numbers the Graduate Center will cost $11,000,000 as presently designed. Of this sum we could borrow approximately $4,250,000 from The General State Authority and this sum has already been approved by the Authority. Taking into account the half million dollar gift, we would still need approximately $6,250,000 to fully fund the building. Mr. Sweeten's office has made an approach to a potential donor for several million dollars and even if this were successful, we would still need $2,000,000 or so to complete the required funding. There is also the question of whether or not it is at all realistic to feel that the Trustees would at this time be willing to borrow funds on this order of magnitude from The General State Authority.

Secretary