

March 1, 1961

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Avon 1-2568

CONFIDENTIAL

Mr. Ralph C. Bursiek
Dean of University Administration
University of Cincinnati
Cincinnati 21, Ohio

Dear Mr. Bursiek:

I send herewith a memo in which I have stated my views as clearly as I can, and have backed them with as much argument as seems to me pertinent and appropriate. I am prepared to abide by the decision of the Board, of course, but I do hope they appreciate the fact that time is an important factor in this matter from my viewpoint. We have lost nearly a year in getting this under way, and since I retire at the end of the academic year 1963-64, and since this is an important part of our plan for the ultimate strengthening of the Department and its work, I am becoming restive over the prospect of further delay.

It can be argued that I should have taken the necessary steps toward financing this addition long ago, and I'm afraid I cannot deny the validity of this viewpoint. On the other hand, other aspects of the day's work have so occupied me and my time as to compel me to approach this at a measured pace.

You will recognize, no doubt, that the part of this memo that relates to my personal affairs should under no circumstances be permitted to go beyond the confidential limits of necessary administrative circles.

Sincerely yours,

Robert A. Kehoe, M. D.

P.S. I attach to this a copy of the Rules and Regulations in connection with Grants for the Construction of Research Facilities in which under #57.7 and 57.8 are those which relate to contracts.

R. A. K.

Enclosures

N9870

Confidential

Memorandum Concerning the Present Status of the Financing
of an Addition to The Kettering Laboratory.

To : The Board of Directors, University of Cincinnati

From: Robert A. Kehoe, M.D.

Date: March 1, 1961

In accordance with the recommendation of the Board of Directors of the University, an application for funds in the sum of \$500 thousand, made under the provisions of Public Law 835, Health Research Facilities Act of 1956, was delivered to the proper official of the Health Research Facilities Branch of the Division of Research Grants of the U.S. Public Health Service, on February 27, well before the dead line date of March 1, 1961. Information was obtained to the effect that the Council which is to pass upon such applications will probably not meet in June, but rather in July, and that the decision will be announced later, probably in August.

No action can be taken by the University, under the law, whereby any portion of the funds applied for can be committed prior to the official awarding of the grant. On the other hand, I have established the fact, through legal counsel for the Health Research Facilities Branch, that a contract (or contracts) could be entered into for the construction of the addition, after application had been received formally by the Branch, if it is expressly stated in such a contract that the completion of the work is "contingent upon such grant being made". It was explained to me that the University could commit its available funds, but not those hopefully to be obtained under this grant. There was said to be no implication that such action on the part of the University would be construed as evidence that the \$500 thousand is not needed.

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I believe that there is no doubt on this score. I explained the matter in some detail, saying that we had canvassed the situation and had found that we could not obtain at the proper time the required funds from the sources originally considered; and that we were asking not for matching funds but just what we needed.

In view of the present position, and the nearness of weather suitable for the construction job, I should like very much to have this contract (or contracts) executed by the Board, after inclusion of the clause required in connection with the funds applied for. We could, of course, hold off any action until the grant has been obtained. That would mean waiting until August or September (a full year since the plans and specifications have been completed). No doubt bids would have to be called for again and dealt with at that time. Under these circumstances lower bids might be obtained (if economic conditions continue to deteriorate), but it is entirely possible that inflationary factors would result in higher bids and a greater ultimate cost of completing the project. In any case there would be a factor of delay, and at the autumn and winter seasons of the year the speed of construction would be greatly delayed by the weather.

Looking at the two alternatives, I can see no good reason for delaying action. (I am not presuming to advise the Board of Directors, or to urge my views upon them, but merely to state the case as I view it).

1. If we presuppose that the grant will be made, we shall be six months up on the construction when these funds are made available.

2. If we accept that, for any unforeseen reason, the grant is denied, we shall not have expended anything like the funds now available as cash in hand or firm pledges. We can then consider what to do. The job can be retailored to suit the funds now available, (by omitting the upper

floors), or to suit the funds which by that time will be available. They will have increased appreciably by August of 1961.

We have almost \$700 thousand in hand or pledged (\$691,000 according to my figures). I expect to add another \$200 thousand before many months have passed. A number of management groups are expecting to meet me within the next three months (at their convenience), and I expect to complete my talks with others in the near future. I meet one fairly large multiple group in New York on March 10th. This is not to suggest that I am playing "fast and loose" with the Public Health Service and depreciating our need for the half-million dollars. Rather, it is that I expect to get together funds for educational purposes and for unspecified research within the next two years, and that anything we can obtain from the U.S.P.H.S. for building purposes will free other funds for the two additional purposes. Just now I am in some difficulty because of the general uncertainties of the national economy. I cannot believe that this will not straighten itself out within some months. What I do believe (and hate to believe) is that there will be a further inflationary trend in our economy.

There are two weaknesses, or apparent weaknesses, in what I propose. One is the matter of the attitude of the contractor (or contractors) in relation to contracts containing the contingency clause indicated. It cannot be said to them that this is but a strategem, for this is not true, and if it were, we should be on a false basis with the U.S.P.H.S. It could be said, however, that we shall, in any case, go as far as our funds will permit, and that in any event we shall do our best not to revise the project. If I were a contractor and wanted the job, I would go ahead. If I preferred to work elsewhere under less uncertain conditions

I should refuse to enter into such a contract. I have no idea what will be the outcome.

The other weakness is the financial liability of the Board of Directors in putting their confidence in me. This, no doubt, is a somewhat insecure position, but it is not as insecure as it might seem. The friends of The Kettering Laboratory are numerous and financially strong. While I have explored the easiest possibilities for obtaining funds, I have not exhausted them, and even after scaling down my original expectations, I cannot visualize a failure to obtain contributions of the order of \$280,000 within the year. I am sure that other contributions of comparatively small sums can be had shortly and that other funds will follow as the economic outlook improves. Our present problem is that of timing, and I cannot press for action without jeopardizing the final outcome of my efforts.

If the economic situation of the country improves or escapes further deterioration, and if I remain in good health and vigor, the financial outlook of the Laboratory in this relationship within the next two years is excellent. If I go to pieces physically and have to retire, the outlook is not so good, but is far from desperate. If, on the other hand, I should die, the situation is not highly insecure. I have arranged a trust fund (this is now an accomplished fact) in the hands of the Fifth Third Union Trust Company, whereby Mrs. Kehoe will have a life estate in the income from half of my holdings of industrial stocks (there are other assets in the form of insurance estate that will take care of her, and I have recently set up a trust for my daughter that will take care of her). On my demise a portion of this estate will go directly to the University of Cincinnati, and on my wife's death the remainder will follow the same course. I shall, of course,

make no change in this, or in the provisions of my will, while there is any doubt about the security of the University in this matter. As it happens, I received a sizeable annual bonus in the early and plushy years of Ethyl Corporation, in the form of stocks of Standard Oil Company of New Jersey and of General Motors Corporation. I put them away and they have multiplied and appreciated in value to a point that no one, least of all myself, could have anticipated. I did not need the money represented in their value, and I thought it might one day be useful to have funds with which to do something. This sum of money came out of my work (and that of others) in this Laboratory. It can quite properly be invested in this Laboratory. I can think of no more fitting use for it. It will go there eventually, as a contribution to the endowment of the educational activities of this University in this field (the terms are elastic enough to permit its use for other purposes at the discretion of the Board of Directors, if industrial medicine and hygiene cease to be important activities in the University). The sum involved (after my fulfillment of my promise to contribute \$100 thousand to the Building Fund of The Kettering Laboratory (\$54 thousand contributed in 1960, the balance to be contributed later at the most propitious time) approximates \$350 thousand at today's market value. By the time it reaches the University it may well have appreciated. It is certainly unlikely that it will depreciate unless some economic calamity overtakes the U.S. economy.

For my own comfort of mind and for certain other professional reasons, it is important to me that the personal affairs outlined above should not be made known beyond the immediate administrative circle of the University. I believe this information should be given in support of my recommendations, for otherwise the latter might well be regarded as unreasonable.

CONFIDENTIAL

THE KETTERING LABORATORY

in the

DEPARTMENT OF PREVENTIVE MEDICINE AND INDUSTRIAL HEALTH

of the

UNIVERSITY OF CINCINNATI, COLLEGE OF MEDICINE

Financial Data

Present Worth of Building and Equipment in Terms of Original Cost, and Sources of Funds Which Have Provided Them.

(The building and all of the equipment are the property of the University of Cincinnati. These have been maintained in excellent condition by careful supervision and replacement. The cost of maintenance, replacements of equipment and additions to equipment has been reflected in the operating costs, which have been distributed among the industrial contributors to all experimental projects during the past twenty years. Some equipment has been provided by governmental grants, in connection with governmentally sponsored projects, which, however, have not borne their full share, otherwise, of overhead costs. The actual value, as well as the replacement value of the property, including the equipment, have appreciated greatly).

Original Building and Certain Items of Fixed Equipment Provided in 1930

All Contributors

Funds Provided by Ethyl Corporation	45,000
" " by E.I. duPont de Nemours	30,000
" " by Frigidaire Corporation	55,000

from interest accrued on
above funds

6,264

TOTAL

\$136,264

Addition to Building and Cost of Remodeling in 1941

Funds Provided by Ethyl Corporation
approx.

75,000

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Addition to Building and Fixed Equipment in 1949

		<u>All Contributors</u>	
Funds provided by	Ethyl Corporation	247,300	
"	du Pont	85,000	
"	Am. Pet. Inst.	40,000	
"	Monsanto Chemical	30,000	
"	Commercial Solvents	25,000	
"	Anonymous	25,000	
"	Procter & Gamble	20,000	
"	Standard Oil (N.J.)	15,750	
"	Texas Co.	10,000	
"	Hilton-Davis Co.	5,000	
"	S.O. Indiana	5,000	
"	Wyandotte Chemical	5,000	
"	Alum.Co	5,000	
"	B.F. Goodrich	2,500	
"	Collective small gifts	<u>41,000</u>	
		TOTAL	\$561,550
Additions to Facilities and Equipment			
made out of operating funds			
	from 1930 to 1939 (approx.)	25,600	
	from 1939 to 1949	39,000	
	from 1949 to 1959	<u>200,000</u>	
		TOTAL	\$364,600
Total Cost of Facilities			\$1,037,414
Present Replacement Value (estimated conservatively)			\$2,000,000

Addition to Building and Fixed Equipment now Under Way (April 1962)

Contracts awarded for construction of building and specified items of fixed equipment.	\$1,223,619
Extra charges for changes in specifications agreed upon.	41,556
Kettering Laboratory share of cost of supplying certain utilities to new buildings in Medical College area in connection with present building program Center.	36,000
Architects fees (normal, plus extra work occasioned by change in plans)	110,000
Estimated cost of furnishings, fixtures and movable equipment (may be somewhat less)	<u>100,000</u>
TOTAL	\$1,511,177

Sums of Money now Pledged or in Hand for Building Program:

U.S.P.H.S. - matching funds.	483,490
Hamilton County, Ohio for facilities for Coroner's work.	200,000
Ethyl Corporation	175,000
E.I. duPont de Nemours and Company	100,000
Procter and Gamble Company	50,000
Monsanto Chemical Company	25,000
Collective gifts (anonymous)	100,000

Industrial Contributions for Unspecified Purposes:

California Research Corporation	\$20,000
U.S. Steel Foundation	15,000
Anonymous	10,000
American Cyanamid	7,000
American Telegraph & Telephone Co.	1,500
Hercules Powder Co.	<u>1,000</u>
	54,500
Miscellaneous authorized expenditures	<u>11,330</u>

Available for application to Building Fund. 43,170

Total sum now available for new physical facilities \$1,176,660

Sum required for completion of project* (conservative estimate) \$334,517

- * It is hoped that funds made available specifically for the building project will be sufficient, so that the funds indicated above, contributed for unspecified purposes, i.e., \$43,170.00, can be left undisturbed for future use for the purposes of unspecified (developmental) research and for graduate education.

Anticipated Sources of Additional Funds

In an earlier survey of potential industrial contributors, comprising present and former sponsors of the work of the Laboratory, approaches were made to representatives of most of the following organizations. The response of those approached has been interpreted as a willingness to contribute, when the requirements of the situation could be made known in some detail, and when the responses of other organizations could be indicated in more definite terms. Further contact has been made with the most promising of these prospects, and a final round up of actual contributions or pledges is now being made. There are other prospects to be pursued, but these have been delayed. In some instances it has been considered to be strategically desirable to go to them with a longer list of assured contributors. Some further delay has been occasioned by the difficulty of finding the time required to do this properly, while trying to carry on the normal work of the Laboratory. The following industrial organizations are considered to be assured contributors, in some sum, within the next year or more.

Aluminum Company of America
Champion Paper and Fiber
Cincinnati Milling Machine
Ford Motor Company (through one of its affiliated
industrial foundations)
International Business Machines
Kaiser Aluminum and Chemical Corporation
with Kaiser Steel
The Charles F. Kettering Foundation (modest contribution
expected)
Koppers Company, Inc.
Minnesota Mining and Manufacturing Company
Owens Corning Fibergals
Owens Illinois Glass
Reynolds Metals Company
Republic Steel Corporation
Socony-Mobile Oil Company
Velsicol Chemical Corporation

The Budget of the Kettering Laboratory

The present budget (1962) is just short of \$1,000,000, distributed in the following manner:

Salaries and wages:	\$691,472
99 salaried personnel	
26 biweekly and hourly staff	
18 graduate fellows	
Fellowship stipends:	7,200
Miscellaneous operating funds:	<u>297,500</u>
	<u>\$996,172</u>

Sources of Operating Funds

The Kettering Laboratory receives no financial support whatever from the general funds of the University of Cincinnati, or from the City of Cincinnati. At the time the Laboratory was founded, it was the announced policy that the investigative work, done in the interests of industry, should be financed by industry. The University Administration having many other financial problems to meet, believed that it should not undertake to support this activity. The Kettering Laboratory is the investigative unit of the Department of Preventive Medicine and Industrial Health of the College of Medicine of the University of Cincinnati, operating in the normal manner within the academic and administrative fabric of the University of Cincinnati (which is a tax-supported municipal institution, to the extent of about 16 per cent. of its operating costs), but without financial support therefrom.

Funds which supplement those supplied by industry to the extent of approximately ten per cent. of the budget, are sought and obtained from time to time in the form of grants from the United States Public Health Service.

THE KETTERING LABORATORY
in the
DEPARTMENT OF PREVENTIVE MEDICINE AND INDUSTRIAL HEALTH
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Financial Data I

Present Worth of Building and Equipment in Terms of Original
Cost and Sources of Funds Which Have Provided Them

(The building and all of the equipment are the property of the University of Cincinnati. These have been maintained in excellent condition by careful supervision and replacement. The cost of maintenance, replacements of equipment and additions to equipment have been reflected in the operating costs, which have been distributed among the industrial contributors to all experimental projects during the past twenty years. Some equipment has been provided by governmental grants, in connection with governmentally sponsored projects, which, however, have not borne their full share, otherwise, of overhead costs. The actual value, as well as the replacement value of the property, including the equipment, have appreciated greatly)

Original Building and Certain Items of Fixed Equipment Provided in 1930

	<u>All Contributors</u>
Funds Provided by three industrial organizations	130.000
from interest accrued on above funds	6.264
Total	\$136.264
Small Addition to Building and Cost of Remodeling in 1941	
Funds Provided by one industrial organization	\$ 75,000

Addition to Building and Fixed Equipment in 1949

Funds Provided by Procter and Gamble Company	20,000
by one other local company	5,000
by thirteen other companies	536,550

Total	\$561,550
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Additions to Facilities and Equipment made out of operating funds

From 1930 to 1939	25,600
From 1939 to 1949	39,000
From 1949 to 1959	200,000

Total	\$264,600
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Total Cost of Facilities	\$1,037,414
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Present Appraised Value (Insurance)

1950	Building	424,000
	Equipment	512,000

Total	\$936,000
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Financial Data II

Budget of The Kettering Laboratory, Total Expense, and Expenditures In Certain Categories for Past Five Years

Year	Budget	Total Expenditures	Research	Graduate Education	Procter and Gamble Share of Funds Expended
1955	651,393	606,973		44,000	22,087
1956	643,535	607,560		38,852	12,957
1957	721,298	692,235		42,292	9,424
1958	774,774	728,094		61,661	12,517
1959	964,399	?		?	?

Note: The financial information in I and II is supplied for the purpose of providing some basis in performance and fact for judgment as to the size of the Laboratory, the scope of its work, and its general acceptability to

its clientele. The progressive increase in the activities of research and professional training even within the past few years gives some indication in this direction. Since no effort of solicitation has been made, the steady growth has been based on the firm ground of professional reputation among those who have sampled the product. The utilization of the facilities by the Procter and Gamble Company has been modest, but if the Company's participation in the combined activities of the Laboratory were to be expanded in the future, such anticipation might be a factor in the extent of its present interest in the Laboratory.

It is possible that the Procter and Gamble Company may have a greater interest in the cultivation of graduate professional education and in the provision of more and better trained personnel in occupational health, than in the type of research in which The Kettering Laboratory is engaged. A case could be made for the urgency of this activity, and for the preeminence of the staff of the Laboratory and of this University in this function. If this were to be singled out as the function which Procter and Gamble chose to support, financially, rather than to contribute toward building and physical facilities, this would be welcome news. For a number of reasons, it seems advisable to obtain financial support of the educational program in independence of the research program of the Laboratory, and it is expected that this can be accomplished with the support of industry within the next few years. Never the less, the completion of the physical plant, by the presently contemplated enlargement, is the immediate necessity, and funds for this purpose are sought at this time.

It is anticipated that the two major and continuing participants in the operations of the Laboratory will contribute approximately \$400,000 of the \$1,200,000 now required for building and equipment. If so much as \$100,000 were to be contributed by Cincinnati industry, a sum approximating \$50,000 would probably have to be forthcoming from the Procter and Gamble Company. One other continuing sponsor can be counted on for at least \$50,000. The balance of \$700,000 is conceived of as being made up of gifts of about \$25,000 from fourteen industrial organizations, and of gifts of \$5,000 to \$10,000 from about twenty others. The composite of these does not make up the total sum required, but puts it within reach. It is not to be supposed that the expectations so outlined will go beyond the realm of suggestion. It would appear to be necessary to have some basis for estimation and suggestion, and so this basis is offered.

July 6, 1959