

Irregularities

Minutes of Called Meeting of the Board of Trustees of the University of Kentucky, Tuesday, January 14, 1936.

A called meeting of the Board of Trustees of the University of Kentucky was held in President McVey's office Tuesday, January 14, 1936, those present being Governor A. B. Chandler, Judge Richard C. Stoll, J. B. Andrews, G. C. Wells, John Cooper, Dr. George Wilson, Superintendent of Public Instruction, Harry Peters, and Commissioner of Agriculture, Garth Ferguson. President F. L. McVey and Secretary D. H. Peak were present. Robert G. Gordon, James Park and Louis Hillenmeyer had expressed their inability to attend on account of business engagements arranged previous to notification of the meeting. R. Miller Holland telegraphed that train schedules were such that he could not reach the meeting before probable adjournment.

Governor Chandler attended the first regular meeting of the Board of Trustees after his inauguration, the meeting of December 17, 1935, but this was the first attendance of Mr. Peters and Mr. Ferguson after installment in office. These members, holding position by reason of their respective state offices, were cordially welcomed at the meeting.

1. Members of the Board.

a. Governor Chandler stated that he had not accepted resignations of the following members of the Board of Trustees: R. Miller Holland, G. C. Wells, John Cooper, J. B. Andrews, James Park, and Dr. George Wilson, and that he had approved their appointments as members of the Board of Trustees for the remainder of the term for which each was originally appointed.

b. The Governor stated that he had received notice of alumni nominations for Board members (See Section 5, Minutes of December 31, 1935), and that, acting on that notice he had reappointed Louis Hillenmeyer, whose term expired December 31, 1935, to succeed himself for a term of six years.

c. The Governor stated that he had reappointed Robert G. Gordon, whose term expired December 31, 1935, to succeed himself for a term of six years beginning January 1, 1936. Judge Gordon has been in continuous service on the Board since 1917, most of the time being an active and valued member of the Executive Committee.

d. The Governor stated that he had reappointed Richard C. Stoll, whose term expired December 31, 1935, to succeed himself for a term of six years beginning January 1, 1936. Judge Stoll has been continuously identified with University affairs from the time he entered as a student, and he has been in service on the Board of Trustees since 1896. He has served as Vice Chairman of the Board and Chairman of the Executive Committee for years and as such has rendered much valuable service to the University. He was present at this meeting and received from the

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Governor, the President and each member and officer of the Board thanks for his service. The announcement of reappointments of Judge Stoll, Judge Gordon and Mr. Hillenmeyer was received with expressions of gratification.

e. The Governor stated that he would in a short time announce appointments of members of the Board of Trustees from the State Board of Agriculture, those appointments being made necessary because of the appointment of a new Board of Agriculture.

2. Object of the Meeting.

The Chairman then stated the purposes for which the meeting was called and proceeded with business. The object of the meeting is stated in the following copy of notice sent to each member of the Board on January 3, 1936.

At a meeting of the Executive Committee of the Board of Trustees of the University of Kentucky held December 31, 1935, a motion was made and carried by unanimous vote of those present, J. B. Andrews, Robert G. Gordon and R. C. Stoll, calling a meeting of the Board of Trustees of the University of Kentucky at a date in January, 1936, to be fixed by President McVey. President McVey has requested me to notify you that the meeting will be held at his office at 10:30 a.m., Tuesday, January 14, 1936. Your presence is earnestly requested, and I shall be pleased to hear from you as to whether or not you will be able to attend.

The object of the meeting is, first, to consider the approval of the bid of W. E. Hutton & Company and J. D. Van Hooser & Company for the purchase of bonds, the proceeds of which are to be used to carry out the P. W. A. construction program authorized and accepted by the Board of Trustees at its meeting of December 7, 1935. This bid was accepted by the Executive Committee at the meeting held December 31, 1935, the acceptance being subject to the approval of the Board of Trustees: Second, to consider such other business relative to the P. W. A. building program as may be necessary, and any other University business that may be brought before the meeting.

3. Minutes Approved.

The minutes of the meeting of the Board of December 17, 1935, were approved as published except as to Section 15, which is corrected and amended by Section 9 hereinafter recorded. The minutes of the meeting of the Executive Committee of December 31, 1935, were approved as published.

4. Financial Report.

The financial report for the month of January, 1935, was filed and ordered recorded in the Minutes. The report reads as follows:

EXHIBIT "B"

Statement of Income and Expenditures
Month of December 1935

	<u>Previously Reported</u>	<u>Current Month</u>	<u>Fiscal Year to Date</u>
General Fund Income			
Federal Appropriation	14,250.00	7,125.00	21,375.00
Vocational Ed. Board	8,572.37	2,160.53	10,732.90
Int. on Peabody Endow.	1,000.00		1,000.00
State Appr.--Back Sal.	71,100.00		71,100.00
State Appr.--Sum.Sch.	9,000.00		9,000.00
Special Agr. Appr.	11,831.06	918.94	12,750.00
State Appr.--Repairs to Buildings	1,228.47	271.57	1,500.04
State Appr.--General	277,601.53	58,074.26	335,675.79
Student Fees	111,766.60	1,195.58	112,962.18
Student Fees - Sum. School	59,064.52	10.15	59,074.67
Student Fees - El. Tr. School	4,160.00	60.00	4,220.00
Student Fees - U.H.S.	5,323.50	60.00	5,383.50
Student Fees - Un.Ext.	8,235.58	1,825.98	10,061.56
Miscellaneous Receipts	8,259.61	637.67	8,897.28
Rentals	1,121.30	329.00	1,450.30
Men's Dormitories	8,553.15	332.15	8,885.30
Total	<u>601,067.69</u>	<u>73,000.83</u>	<u>674,068.52</u>
Expenditures			
Instruction	306,105.69	70,346.36	376,452.05
Adm., Expense & Maint.	103,821.79	18,846.34	122,668.13
Additions and Better- ments	7,935.98	1,932.06	9,868.04
Total	<u>417,863.46</u>	<u>91,124.76</u>	<u>508,988.22</u>
Excess of Income over Expenditures	<u>183,204.23</u>	<u>(18,123.93)</u>	<u>165,080.30</u>
Patterson Hall Income			
Board	25,986.06	1,064.10	27,050.16
Misc. Receipts	206.61	43.90	250.51
Room Rent - Sum. Sch.	2,089.00		2,089.00
Total	<u>28,281.67</u>	<u>1,108.00</u>	<u>29,389.67</u>
Expenditures			
Expense	13,530.89	5,884.70	19,415.59
Additions & Better.	129.50	357.40	486.90
Total	<u>13,660.39</u>	<u>6,242.10</u>	<u>19,902.49</u>

Excess of Income over Expenditures	<u>14,621.28</u>	<u>(5,134.10)</u>	<u>9,487.18</u>
General Fund Income	629,349.36	74,108.83	703,458.19
General Fund Expend.	<u>431,523.85</u>	<u>97,366.86</u>	<u>528,890.71</u>
Excess of General Fund Income over Expend.	197,825.51	(23,258.03)	174,567.48
Accounts Payable - liquidated	(71,191.63)		(71,191.63)
Excess of Expenditures over Receipts for General Ledger accounts	<u>(77,309.10)</u>	<u>(1,964.39)</u>	<u>(79,273.49)</u>
Excess of Receipts over Expenditures for the fiscal year to date - General Fund	<u>49,324.78</u>	<u>(25,222.42)</u>	<u>24,102.36</u>
Excess of Receipts over Expenditures for the fiscal year to date - General Fund			24,102.36
Cash in Bank July 1, 1935 - General Fund			<u>5,837.75</u>
Cash in Bank December 31, 1935 - General Fund			<u>29,940.11</u>
Experiment Station Income			
Hatch - Federal Appro.	7,500.00		7,500.00
Milk and Butter - Cash Receipts	5,939.07	913.28	4,852.35
Beef Cattle Sales	1,350.34	103.44	1,453.78
Dairy Cattle Sales	393.86	141.68	535.54
Sheep Sales	222.58		222.58
Swine Sales	855.43	504.52	1,359.95
Poultry Sales	1,113.77	157.45	1,271.22
Farm Produce Sales	698.87	35.00	733.87
Horticultural Sales	369.90	25.00	394.90
Seed Test	329.10	53.99	383.09
Seed Inspection	6,326.42	151.94	6,478.36
Rentals	2,748.34	119.67	2,868.01
Miscellaneous	322.35	12.30	334.65
Fertilizer - Fees	11,056.46		11,056.46
Public Service - State Appropriation	9,516.27	2,054.37	11,570.64
Public Service - Miscel.	10.00	1.60	11.60
Feeding Stuffs - Fees	20,107.31	3,299.55	23,406.86
Adams - Federal Appro.	7,500.00		7,500.00
Serum - Sales	964.47	136.72	1,101.19
Serum - Virus Sales	83.50	12.00	95.50
Serum - Live Stock Sales	117.45		117.45
Serum - Supply Sales	81.85	3.75	85.60
Serum - Misc. Receipts	2.25	.10	2.35
State Appropriation	25,000.00	4,189.25	29,189.25
Creamery - License Fees	8,235.00	12.00	8,247.00
Creamery - Testers License	2,720.95	66.00	2,786.95
Creamery - Glassware Tested	388.61	52.71	441.32

Robinson - State Appro.	5,164.17	1,017.14	6,181.31
Robinson - Misc. Rec.	1,191.73	301.64	1,493.37
West Ky. - State Appro.	6,607.12	2,170.28	8,777.40
West Ky. - Misc. Receipts	5,851.43		5,851.43
Purnell - Federal Appro.	30,000.00		30,000.00
Bankhead-Jones - Fed. Ap.	9,669.91		9,669.91
Nursery Inspection - State Appro.	1,114.24	336.15	1,450.39
Nursery Inspection - Fees	1,025.00	115.00	1,140.00
Total	<u>172,577.75</u>	<u>15,986.53</u>	<u>188,564.28</u>
Expenditures			
Expense	127,889.06	29,434.37	157,323.43
Additions & Better.	1,783.87	629.37	2,413.24
Total	<u>129,672.93</u>	<u>30,063.74</u>	<u>159,736.67</u>
Excess of Income over Expenditures	42,904.82	(14,077.21)	28,827.61
Accounts Payable - liqui- dated	(3,150.32)		(3,150.32)
Excess of Receipts over Ex- penditures for General Ledger accounts	<u>12,729.57</u>	<u>3,541.24</u>	<u>16,270.81</u>
Excess of Receipts over Expenditures	<u>52,484.07</u>	<u>(10,535.97)</u>	<u>41,948.10</u>
Excess of Receipts over Expenditures for the fis- cal year to date - Experi- ment Station			41,948.10
Cash in Bank July 1, 1935 - Experiment Station			(23,296.47)
Cash in Bank December 31, 1935 - Experiment Station			<u>18,651.63</u>
Extension Division Income			
Federal Bankhead-Jones	144,925.05		144,925.05
Federal Smith-Lever	74,154.38		74,154.38
Federal Add. Co-op.	15,500.00		15,500.00
Federal Supplementary	26,545.52		26,545.52
Federal Capper-Ketcham	18,400.49		18,400.49
State Smith-Lever	63,000.00		63,000.00
County and Other	8,735.58	2,838.52	11,574.10
Total	<u>351,261.02</u>	<u>2,838.52</u>	<u>354,099.54</u>
Expenditures			
Expense	<u>201,594.41</u>	<u>52,617.89</u>	<u>254,212.30</u>
Excess of Income over Ex- penditures	<u>149,666.61</u>	<u>(49,779.37)</u>	<u>99,887.24</u>
Excess of Income over Expenditures for the fiscal year to date - Extension Division			99,887.24
Cash in Bank July 1, 1935 - Extension Division			303.82
Cash in Bank Dec. 31, 1935 - Exten. Division			<u>100,191.06</u>

Trust Fund Income			
Student Loan Fund	2,785.81	152.27	2,938.08
Student Notes Paid	1,558.62	506.20	2,064.82
Total Receipts	<u>4,344.43</u>	<u>658.47</u>	<u>5,002.90</u>

Expenditures			
Expense	15.00		15.00
Student Notes	50.00	50.00	100.00
General Ledger accounts		5,000.00	5,000.00
Total Expenditures	<u>65.00</u>	<u>5,050.00</u>	<u>5,115.00</u>

Excess of Receipts over Expenditures	<u>4,279.43</u>	<u>(4,391.53)</u>	<u>(112.10)</u>
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Excess of Receipts over Expenditures for the fiscal year to date - Trust Fund			(112.10)
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Cash in Bank July 1, 1935 - Trust Fund			<u>1,128.84</u>
Cash in Bank December 31, 1935 - Trust Fund			<u>1,016.74</u>

Summary

General Fund Income	629,349.36	74,108.83	703,458.19
Experiment Station Inc.	172,577.75	15,986.53	188,564.28
Extension Division Inc.	351,261.02	2,838.52	354,099.54
Trust Fund Income	2,785.81	152.27	2,938.08
Total	<u>1,155,973.94</u>	<u>93,086.15</u>	<u>1,249,060.09</u>

General Fund Expenditures	431,523.85	97,366.86	528,890.71
Experiment Sta. Expend.	129,672.93	30,063.74	159,736.67
Extension Div. Expend.	201,594.41	52,617.89	254,212.30
Trust Fund Expenditures	15.00		15.00
Total	<u>762,806.19</u>	<u>180,048.49</u>	<u>942,854.68</u>

Excess of Income over Expenditures	393,167.75	(86,962.34)	306,205.41
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Accounts Payable - liquidated	(74,341.95)		(74,341.95)
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Excess of Expenditures over Receipts for General Ledger accounts	(64,579.53)	(3,423.15)	(68,002.68)
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Student Loan Fund Notes	1,508.62	456.20	1,964.82
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Petty Cash accounts	<u>200.00</u>		<u>200.00</u>
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Excess of Receipts over Expenditures for the fiscal year to date - Combined Fund	<u>255,954.89</u>	<u>(89,929.29)</u>	<u>166,025.60</u>
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Excess of Receipts over Ex- penditures for the fiscal year to date - Combined Fund	166,025.60
Cash in Bank and on hand July 1, 1935 - Combined Fund	<u>(14,026.06)</u>
Cash in Bank and on hand December 31, 1935 - Combined Fund	<u><u>151,999.54</u></u>

Abstract of item shown on Statement
of Income and Expenditures as "Excess
of Expenditures over Receipts for
General Ledger accounts \$68,002.68."

	<u>Debit</u>	<u>Credit</u>
Accounts Receivable	50,558.59	
Insurance Paid in Advance	45.60	
Sundry Accounts	<u>17,398.49</u>	
	68,002.68	

5. Fire Insurance, Expiration.

The President stated that the fire insurance policies on the general schedule of College Division property expire March 14, 1935. The question of renewal was continued, pending action of the State Legislature on plan of state carrying its own insurance.

6. Allotments of Appropriation.

a. The Business Agent reported that on the 6th day of January, 1936, he received notice that the State Board of Finance had set up allotments in addition to previous allotments as follows:

My dear Mr. Peak:

This is to notify you that the Board of Finance and Budgetary Control, at a meeting held January 4, 1936, allotted to your University, and the various units thereof the following:

College Division	\$50,000.00
College of Agriculture	2,000.00
Experiment Station, Lex.	3,000.00
Experiment Sta., Princeton	800.00
Experiment Sta., Quicksand	400.00
Experiment Sta., Analysis	800.00
Nursery Inspection	100.00
Agricultural Extension	9,500.00

The above allotments, as listed, are for the month of January, 1936, and are to be used in addition to any balances which may have been left on hand December 31, 1935.

No additional allotment was made for any unit of your College which had a balance on hand at the close of December, 1935, sufficient for operation costs for the month of January, 1936.

The Board asks me to specifically warn each department and college to live within its allotment. The Board has ruled that no additional allotments will be made.

(Signed) Walter W. Mulbry
Executive Secretary

b. Total allotments made to date:

College Division	\$389,000.00
College Repairs	4,500.00
Agricultural Extension	72,500.00
College of Agriculture	14,750.00
Experiment Station	33,000.00
Public Service - Analysis	13,800.00
Nursery Inspection	1,650.00
Robinson Sub-Station	7,900.00
Western Kentucky Sub-Station	10,300.00

7. Requisition Committee Report.

The Requisition Committee filed written report of its action each week from December 13, 1935, to January 8, 1936, inclusive. The report shows that orders had been made by the Business Office on the authority of the Requisition Committee in the manner prescribed by the Board of Trustees and state laws, running from No. 3641 to No. 3980. The Report was examined, and on motion and second the orders named therein were ratified and approved and payments on said orders were authorized and approved.

8. Out-of-State Travel Expense.

The Business Agent reported the following letter relative to requests for out-of-state travel expense:

My dear Mr. Peak:

At a meeting of the Board of Public Property, held December 28, 1935, the Board adopted the following motion: "That all requests for approval of Out-of-State Travel Authorizations be submitted to the Attorney General of Kentucky, for his investigation as to the legality of same, before any action will be taken by the Board. Requests that are not authorized by law will be refused."

Under the above motion, the Board, at a meeting held December 30, refused to approve your request on the following requisitions:

Nos. 41, 40, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65. The Attorney General states that these requests could not be considered "official business" and quotes Sec. 14, Chapter 25, Pg. 83, Acts of 1934.

(Signed) Walter W. Mulbry
Executive Secretary

The requisition numbers named are for requests of following members of the staff: W. D. Nichols, Howard Tilson, W. A. Price, W. D. Valleau, E. N. Johnson, C. O. Eddy, E. M. Emmert, E. N. Ferguson, W. W. Dimock, John S. Gardner, C. G. Latimer, Elmer G. Sulzer, A. J. Lawrence, O. T. Koppius, R. H. Weaver, M. Scherago, J. W. Manning, Amry Vandenbosch, Neil Plummer, Morris Caldwell, Frank Murray, Louis Clifton, F. W. Warburton, William S. Webb, Mrs. W. T. Lafferty and D. V. Terrell.

It was suggested by the Chairman that President McVey ask the Attorney General and the Finance Board for reconsideration of the requests for travel allowance named above, and give his reasons why they should be allowed.

9. Hoflick vs University of Kentucky.

In order to state correctly the status of the suit of Hoflick vs University of Kentucky referred to in Section 15, Minutes of December 17, 1935, the following was ordered recorded in the Minutes of this meeting:

a. On November 8, 1935, Mr. William R. Attkisson, Assistant Attorney General, wrote the Business Agent:

"We are returning herewith summons in the case of J. E. Hoflick vs. University of Kentucky. We understand that the University has regularly employed local counsel in Lexington, and we would advise that they handle the matter. If this is not satisfactory to you, please return summons together with a copy of the petition from the clerk's office. It would be probably better for the local counsel to try the case as they are more familiar with local conditions and juries."

b. This letter was given to the Chairman of the Executive Committee, Richard C. Stoll, and on November 15th, he wrote to Mr. Attkisson, Assistant Attorney General, as follows:

"The University of Kentucky has handed to me the correspondence relative to the above styled case. Under the law, as I understand it, it is the duty of the Attorney General's office to defend this suit.

"The University has no legally employed local counsel in Lexington, although I am really of the opinion that the business of the University is so considerable that they should have local counsel to attend to its business, but, as I understand the law, such counsel cannot be employed.

"I agree with you that it is always better for a local counsel to try cases, or at least have a local counsel to be associated with foreign counsel in the trial of any case, however, in view of the Acts of the Legislature of 1934, and prior Acts, I do not see how the University can employ local counsel, except possibly with the consent and direction of the Attorney General, and, of course, you know it is very difficult to get a lawyer to do something for nothing.

"I am enclosing copy of the petition.

"The summons in this case was served on Dr. McVey. He is not an officer of the University, but he is President of the University. The University is a corporation, its Board of Trustees constitute its Board of Directors and the Governor of Kentucky is Chairman of the Board and I am Vice-Chairman, and I assume that I am the principal officer of the corporation in Lexington, so in order to put a choke under the wheels I have thought wise, if you agree with me, to have Dr. McVey make a motion to quash the return of the summons upon him, because he is not an officer of the corporation. I am enclosing herewith a copy of that motion, which I will ask him to file.

"I am also enclosing summons in the case.

"I am rather inclined to the opinion that under the opinions of the Court of Appeals, the University of Kentucky is not liable for tort actions.

"I would be glad to hear from you."

c. On November 15th Mr. Attkisson wrote Chairman Stoll as follows:

"In reply to your letter of November 14, 1935, with reference to the above styled action, we have filed a general demurrer. The copy of the former which we had sent to us did not of course show the return made by the sheriff.

"We feel as you do, that there is no cause of action stated by the petition and will rely mainly upon the case of Zoeller vs. State Board of Agriculture, 173 S. W. 1143, 163 Ky. 446.

"It has always been my opinion that some provision should be made by law to enable the several State Institutions of higher education to retain their own attorneys. General Wootton does not wish to put the State to the expense of outside counsel in this case.

"With kindest regards, I am,"

d. Before receiving the letter of Mr. Attkisson, Chairman Stoll filed a motion to quash the service of summons upon Dr. McVey upon the grounds that he was not an officer of the University, but the demurrer filed by Mr. Attkisson entered the appearance of the University and, of course, the motion filed is of no avail.

This case is now pending upon the demurrer.

e. Chairman Stoll wrote to the Attorney General of Kentucky, on January 10, 1936, the following letter:

"On October 29, 1935, an action was filed against the University of Kentucky by J. E. Hoflick for damages. A copy of the petition was sent to the Attorney General and Mr. William R. Attkisson, Assistant Attorney General, for the University of Kentucky, filed a general demurrer and filed a brief. This question is under submission in the Fayette Circuit Court.

"Of course, you know under the law the University has no authority to employ counsel to represent it in this case, except under certain conditions, and that it is the duty of the Attorney General's office to represent the University.

"We will be very glad indeed to aid your office in any way possible in this matter.

"I am writing you this letter, however, to advise you that this case is pending."

f. On January 11, 1936, Chairman Stoll received from Attorney General B. M. Vincent the following letter:

"This is to acknowledge receipt of your communication of the 10th inst., regarding the suit of J. E. Hoflick v. University of Kentucky which, as requested by you, will receive our investigation and attention.

"With best wishes, I am,"

10. Harvard University Tercentenary Celebration.

President McVey presented a letter from the Director of the Harvard University Tercentenary Celebration inviting the University of Kentucky to participate in the celebration of Harvard's three hundredth anniversary to be held at Cambridge September 16, 17 and 18, 1936. On motion of Mr. Cooper, seconded by Mr. Wells, which carried by a unanimous vote, Governor A. B. Chandler and Judge R. C. Stoll were named to represent the University of Kentucky at the celebration. Each of them accepted, expressing appreciation of the action of the Board, whereupon President McVey was authorized to send to the director of the celebration a card of acceptance, naming the representatives.

11. The Association of Governing Boards.

President McVey presented a communication from D. W. Springer, Secretary of the Association of Governing Boards of State Universities and Allied Institutions, stating that the invitation of the University of Kentucky for the 1936 meeting of the Association to be held at Kentucky has been accepted. The date of the meeting has not been fixed, but the date will probably be early in November. On motion of Mr. Andrews, seconded by Doctor Wilson, President McVey was authorized to prepare for the meeting and to select a committee on preparation and on entertainment of the visitors. President McVey stated that as this is an organization of Governing Boards it is very desirable that every member of the University Board of Trustees attend.

12. Purchase of Bonds for P. W. A. Program.

a. Report of Dean Graham.

The following report of Dean Graham was read by the President and it was ordered inserted in the Minutes.

January 13, 1936

President Frank L. McVey
University of Kentucky

My dear President McVey:

In accordance with the instructions given in a resolution of the Executive Committee of the Board of Trustees in meeting on December 31, 1935, I met with Mr. Fetter of the W. E. Hutton and Company and Mr. Altfilisch of the law firm of Chapman and Cutler in Louisville on Friday, January 3, 1936, and discussed with them the proposed sale of bonds of the University as authorized.

You may remember that in the Government's offer of purchase of bonds that in addition to payments on principal and interest they required the first ten years of the life of the bonds that a special or cushion fund should be accumulated at the rate of approximately \$7,000 per year for the period of ten years and that this fund should be held intact throughout the life of the bonds. I discussed this item with both Mr. Fetter and Mr. Altfilisch and tentatively they agreed to remit the accumulation of this fund.

You may also remember that in the Government's offer of purchase of bonds they made definite appropriation of the funds to be expended on each building. I discussed this with Mr. Fetter and Mr. Altfilisch and they agreed to make the expenditures of the bond funds accruing more flexible as distributed to the cost of the four proposed buildings.

They presented me with a schedule of maturities, which, upon examination, showed as follows:

Average maturity 19-1/2 years
 Coupon interest rate 3%
 Number of bonds to be delivered 636, at a purchase price of 94.30 and an interest rate of 3.4% per annum.

I pointed out to these gentlemen that in presenting their bid and during the discussion of the matter in the Executive Committee only the following setup was mentioned, to wit:

Average maturity 17-1/2 years
 Coupon interest rate 3% per annum
 633 bonds to be delivered (631 bonds mentioned in the meeting was an arithmetical error)
 Price of bonds to be 94.76
 Rate of interest 3.4%.

I told these gentlemen that I had no personal objection to the 19-1/2 years but that this automatically lowered the price of the bonds and increased the number of bonds and that I had no authority to consent to such a change and requested that they recalculate on the same rates and basis used in the meeting. On Tuesday, the 7th, they submitted another list, a copy of which I have furnished you. This is based on an average maturity of 17 years and 4 months; 3.4% annual interest; price of bonds 94.79; number of bonds 634, which would net to the University \$600,968.60. After discussing this with you, I concurred in having this schedule included in the draft of resolution to be presented to the Board of Trustees, as this schedule complies with the bid presented on December 31 and accepted on that day by the Executive Committee.

You will note that the average yearly payment of interest on this schedule is \$31,607.54. This compares with \$32,500 submitted in the schedule of Friday, January 3.

Under this schedule the University will deliver 634 bonds and will pay an interest throughout the life of the bonds of \$330,030; therefore the total principal and interest payments will be \$964,030. You will remember that the total similar charges under the Government's offer for these bonds was \$1,049,200; therefore the saving to the University under the current offer of W. E. Hutton and Company is \$84,170. The bid of W. E. Hutton and Company for the bonds was lower by \$10,400 than the next lowest bid.

I attach hereto the proposed draft of resolution prepared by Mr. Altfilisch for presentation to the Board of Trustees, which draft arrived at this office this morning. I invite your attention to the schedule of payments and the bond fund set up on page 7 of this draft. As said before, they tentatively agreed to remit the accumulation of a reserve fund of approximately \$70,000 but in this draft they have set up one of approximately \$30,000, a part of which is to be accumulated during 1937. As this item is a form of insurance to protect both the Trustees and bond holders on interest payments for at least one year, I recommend it be accepted as written.

Yours truly,

(Signed) James H. Graham
Dean

b. Resolution.

On motion of Mr. Cooper, seconded by Doctor Wilson, the following resolution was passed by unanimous vote, each member present voting in favor of the resolution when his name was called. The resolution was signed by the Chairman of the Board and attested by the Secretary of the Board in open meeting.

A RESOLUTION making revised provisions for the issuance and sale of Building Revenue Bonds of the University of Kentucky in accordance with Chapter 72 of the Acts of the General Assembly of Kentucky, 1934, to pay the cost of constructing university buildings consisting of buildings for the College of Engineering, a heating plant, a student union building and a building for the College of Law, and for charging, collecting and allocating rents and fees for services rendered by such buildings.

WHEREAS, the University of Kentucky and its students are not now being provided with adequate buildings for educational purposes and in order to provide said University and its students with more adequate facilities for educational purposes, it is necessary that there be constructed buildings with necessary appurtenances for the College of Engineering of the University; a heating plant for the University; a student union building and a building for the College of Law of the University; and

WHEREAS, the College of Engineering of the University has heretofore submitted preliminary plans and specifications for such construction; and

WHEREAS, said plans and specifications have been heretofore adopted and ordered completed and presented to the Executive Committee of the Board of Trustees of the University of Kentucky for final approval, pursuant to said resolution authorizing the approval of the detailed plans and specifications of said construction; and

WHEREAS, under the provisions of Chapter 72 of the 1934 Acts of the General Assembly of Kentucky the Board of Trustees of the University of Kentucky is authorized to issue bonds as therein provided for the purpose of constructing said improvements; and

WHEREAS, this Board of Trustees did heretofore, by resolutions duly adopted, provide for the issuance of such bonds bearing interest at the rate of four per cent per annum and for the sale and delivery thereof to the United States of America, but it has since been found to be more advantageous to issue and sell bonds for the purpose aforesaid bearing interest at the rate of three per cent per annum, and it is now deemed advisable and for the best interests of the University of Kentucky that such bonds be authorized, issued and delivered in accordance with the terms and provisions of the agreement for the sale of said bonds heretofore entered into with J. D. Van Hooser & Company and W. E. Hutton & Co.;

NOW, THEREFORE, THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY RESOLVE AS FOLLOWS:

Section 1. That the orders heretofore made and resolutions heretofore adopted for constructing buildings for the College of Engineering of the University, a heating plant for the University, a student union building and a building for the College of Law of the University (hereinafter designated the "Project") substantially in accordance with the plans and specifications heretofore presented to and approved by this Board of Trustees, are hereby in all respects ratified and confirmed.

Section 2. In order to provide for the payment of the cost of the proposed undertaking, in excess of the grant made to the Board of Trustees of the University of Kentucky by the United States Government of constructing said Project for said University, as specified in Section 1 hereof, there shall be issued by the Board of Trustees of the University of

Kentucky in its corporate capacity and by and through its corporate name "University of Kentucky", and as a State educational institution and agency, Building Revenue Bonds in the aggregate principal amount of \$634,000, dated January 1, 1936, of the denomination of \$1,000 each, to be numbered from 1 to 634 inclusive, bearing interest at the rate of three per centum (3%) per annum, payable on July 1, 1936, and semi-annually thereafter on the first days of January and July in each year, which said bonds shall mature serially and in numerical order as follows: \$15,000 on July 1 of each of the years 1937 to 1941 inclusive, \$19,000 on July 1, 1942, \$20,000 on July 1 of each of the years 1943 to 1956 inclusive, \$25,000 on July 1 of each of the years 1957 to 1959 inclusive, \$30,000 on July 1 of each of the years 1960 to 1964 inclusive, and \$35,000 on July 1, 1965.

Said bonds shall be signed for and on behalf of the University of Kentucky by the Chairman of its Board of Trustees and sealed with the corporate seal of the University of Kentucky and attested by its Secretary; and the interest coupons attached to said bonds shall be executed with the facsimile signatures of the said Chairman and Secretary, and said bonds, together with the interest thereon, shall be payable only out of the "University of Kentucky Building Revenue Bond and Interest Redemption Fund" hereinafter created and shall be a valid claim of the holders thereof only against said fund, and the gross income and revenues of the Project pledged to such fund.

Section 3. The aforesaid bonds and coupons shall be in substantially the following form, to-wit:

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
UNIVERSITY OF KENTUCKY
UNIVERSITY BUILDING REVENUE BOND

No. _____

\$1,000

The University of Kentucky as a state educational institution and agency, for value received hereby promises to pay to the bearer, or, if this bond be registered, to the registered holder hereof, as hereinafter provided, the sum of One Thousand Dollars (\$1,000) on the first day of July, 19---, with interest thereon from the date hereof until paid at the rate of three per centum (3%) per annum, payable July 1, 1936, and semi-annually thereafter on January 1 and July 1 of each year upon presentation and surrender of the annexed interest

coupons as they severally mature, both principal and interest being payable in lawful money of the United States of America, at the office of the Treasurer of the University of Kentucky, in Lexington, Kentucky, or, at the option of the holder, at the principal office of the Chemical Bank and Trust Company in the Borough of Manhattan, City, County, and State of New York.

This bond is issued for the purpose of constructing buildings for use in connection with the University of Kentucky under and in full compliance with the Constitution and Statutes of Kentucky, including, among others, Chapter 72 of the 1934 Acts of the General Assembly of Kentucky.

This bond is payable only from a fixed amount of the gross income and revenues to be derived from the operation of said buildings which will be set aside as a special fund and pledged for that purpose and identified as the "University of Kentucky Building Revenue Bond and Interest Redemption Fund," and this bond does not constitute an indebtedness of the University of Kentucky or the Commonwealth of Kentucky within the meaning of any constitutional provisions or limitations.

A statutory mortgage lien, which is hereby recognized as valid and binding on said buildings, is created and granted to and in favor of the holder, or holders of this bond and the issue of which it forms a part, and in favor of the holder or holders of the coupons attached thereto, and said buildings shall remain subject to such statutory mortgage lien until the payment in full of the principal of and interest on this bond and the issue of which it forms a part.

This bond is fully negotiable but may be registered as to principal only on the books of the Secretary of the University of Kentucky, such registration to be evidenced by notation thereof on the reverse hereof by said Secretary; after which, no transfer of this bond shall be valid unless made on said books by the registered owner in person or by attorney and similarly noted on the reverse hereof. But this bond may be discharged from registry by being registered to bearer and thereafter transferability by delivery shall be restored. Registration of this bond as aforesaid shall not affect the negotiability of the coupons appurtenant hereto, which shall continue to be transferable by delivery merely and shall remain payable to bearer.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this bond, do exist, have happened and have been performed in due time, form and manner as required by law and the amount of this bond, together with all other obligations of said University of Kentucky does not exceed any limit prescribed by the Constitution or Statutes of Kentucky; that said buildings will be continuously operated by said University of Kentucky and that a sufficient portion of the gross income and revenues of said buildings has been pledged to and will be set aside into a special account in the treasury of said University of Kentucky for the payment of the principal of and interest on this bond, and the issue of which it is one, as the same will respectively become due.

IN WITNESS WHEREOF, the University of Kentucky has caused this bond to be signed by its Chairman and its corporate seal to be hereunto affixed, attested by the Secretary, and the coupons hereto attached to be executed with the facsimile signatures of the said Chairman and said Secretary, all as of the first day of January, 1936.

UNIVERSITY OF KENTUCKY

By _____
Chairman, Board of Trustees.

(SEAL)
Attest:

Secretary, Board of Trustees

(Form of Coupon)

No. _____ \$15.00

On the first day of _____, 19____, the University of Kentucky will pay to bearer Fifteen Dollars (\$15.00) out of its "University of Kentucky Building Revenue Bond and Interest Redemption Fund", at the office of the Treasurer of the University of Kentucky in Lexington, Kentucky, or, at the option of the holder, at the principal office of the Chemical Bank and Trust Company of New York in the Borough of Manhattan, City, County and State of New York, as provided in and for interest then due on its University of Kentucky Building Revenue Bond, dated January 1, 1936. No. _____.

Chairman, Board of Trustees.

Secretary, Board of Trustees.

(Form of registration certificate to
be printed on the back of each bond)

<u>Date of Registration</u>	<u>Name of Regis- tered Holder</u>	<u>Signature of Secre- tary, Board of Trus- tees</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Section 4. From and after the delivery of any of the bonds under the provisions of this resolution, the Project of said University of Kentucky shall be operated on a fiscal year basis, commencing on July 1 of each year and ending on June 30 of the following year, and on that basis the gross income and revenues of said Project shall be set aside into a separate and special fund designated the "University of Kentucky Building Revenue Fund" (hereinafter designated the "Building Revenue Fund").

There shall be and there is hereby created a fund to be known as "University of Kentucky Building Revenue Bond and Interest Redemption Fund", (hereinafter called the "Bond Fund") into which there shall be set aside from the monies held in the Building Revenue Fund such amounts as will be sufficient to pay the interest on and principal of the bonds hereby authorized and it is hereby determined that the amounts necessary and to be set aside into said fund shall be as follows:

<u>For the Fiscal Year ending June 30,</u>	<u>Amount</u>	<u>For the Fiscal Year ending June 30,</u>	<u>Amount</u>
1937	\$35,720	1951	\$31,400
1938	35,245	1952	30,800
1939	35,000	1953	30,300
1940	35,000	1954	29,600
1941	35,000	1955	29,000
1942	35,770	1956	28,400
1943	36,200	1957	32,800
1944	35,600	1958	32,050
1945	35,000	1959	31,300
1946	34,400	1960	35,550
1947	33,800	1961	34,650
1948	33,200	1962	33,750
1949	32,600	1963	32,850
1950	32,000	1964	31,950
		1965	36,050

All funds received as accrued interest at the time of the issuance of said bonds, together with a sufficient amount of the proceeds of said bonds to make up the total sum of \$9,510, shall be paid into said Bond Fund on or prior to June 15, 1936, and shall be used for the payment of the interest on said bonds due July 1, 1936. In the event that the monies held in the Building Revenue Fund in any month shall be insufficient to make the aforesaid payments in full, any such deficiency shall be added to the amount required to be paid into such Bond Fund in the following month.

The amount by which the payments in any fiscal year exceed the aggregate amount of interest on and principal of said bonds then currently becoming due shall be held in said Bond Fund as a reserve for contingencies and used solely as herein provided. Provided, however, that no further payments need be made into said Bond Fund after such amount of the bonds shall have been retired that the amount then held in the Bond Fund, including the reserve for contingencies, is equal to the entire amount of the principal and interest that is to be paid on all of such bonds then remaining outstanding.

If, for any reason, the University of Kentucky shall fail to make any such payments into such Bond Fund as aforesaid, during any fiscal year, any sums then held as a reserve for contingencies shall be used for the payment of any portion of the interest on or principal of said bonds becoming due in such fiscal year, on which bonds there would otherwise be default, but such reserve shall be reimbursed therefor from the first available payments made into the Bond Fund in the following year or years in excess of the required payment for the then current fiscal year.

All monies held in the Bond Fund or as a reserve for contingencies shall be deposited in a bank which is a member of the Federal Reserve System and of the Federal Deposit Insurance Corporation; the monies held as reserve for contingencies may be invested in direct obligations of the United States of America, provided, however, that the University shall make a sale of a sufficient amount of such obligations in the event that it shall prove necessary to draw upon said reserve.

The payments hereinabove provided into said Bond Fund shall be made in equal monthly installments on the first day of each month, except when the first day of any such month shall be on a Sunday or a legal holiday, in which event such payment shall be made on the next succeeding secular day. The balance then remaining shall be set aside for the operation and maintenance, as hereinafter fully provided.

The Bond Fund, hereinabove created and described, shall be used solely and only for the purpose of paying principal of and interest on the bonds herein authorized to be issued, and is hereby irrevocably pledged for that purpose and shall be used for no other purpose whatsoever.

The balance of the monies remaining in the Building Revenue Fund after the aforesaid payments into the Fund Bond in each month shall be set aside as follows:

There shall be created an "Operation and Maintenance account" to be used for the proper operation and maintenance of said Project, into which there shall be set aside from the monies hereinbefore referred to, an amount sufficient to provide for the payment of reasonable and necessary expenses of operating and maintaining the Project.

Section 5. All monies received from any bonds issued pursuant hereto, exclusive of accrued interest, shall be applied solely for the construction of said Project, as herein authorized, provided that such proceeds, together with all sums received as accrued interest of said bonds shall be used also to pay interest on said bonds during the period of construction of said Project,

Section 6. While the bonds authorized hereunder, or any of them remain outstanding and unpaid, the rents for all services rendered by said Project to the University and fees charged to its students shall be reasonable and just, taking into account and consideration the cost and value of said Project, the cost of maintaining and operating the same, the amounts necessary for the retirement of all bonds and the accruing interest on all such bonds as may be sold and are unpaid under the provisions of this resolution, and there shall be charged against the University such amounts for services rendered by the Project as shall be adequate, together with fees to be charged to students, to meet the requirements of this and the two preceding sections hereof.

Section 7. The University of Kentucky hereby covenants and agrees with the holder or holders of the bonds hereby authorized to be issued, or any of them, that it will faithfully and punctually perform all duties with reference to said Project required by the Constitution and Laws of the Commonwealth of Kentucky, including the charging and collection from the University, the Colleges of the University and its or their students of reasonable and sufficient amounts for services rendered by said Project and the application of the respective funds created by this resolution.

The University of Kentucky hereby irrevocably covenants, binds and obligates itself not to sell, lease, mortgage or in any manner dispose of said Project, except by the mortgage provided for in Section 8 hereof, until all of the bonds herein authorized to be issued shall have been paid in full, both principal and interest.

The University of Kentucky further covenants and agrees with the holders of said bonds to maintain in good condition and continuously to operate said Project, so long as the principal of or interest on any of the bonds herein authorized remains outstanding and unpaid and to charge and collect from the University reasonable and sufficient amounts as rent for services rendered by the Project to the University in furnishing to it and its Colleges, laboratory and other educational facilities and to charge and collect reasonable and sufficient fees from each student of the University and its Colleges for services rendered by the Project to such students, which fees shall be, in addition to all other fees charged by the University to such students. The aforesaid rents and fees shall be sufficient at all times to maintain the Bond Fund and the Operation and Maintenance Fund as required by the preceding sections of this resolution and same are hereby pledged for that purpose.

Section 8. That for the further protection of the holders of the bonds herein authorized to be issued and the coupons thereto attached, a statutory mortgage lien upon said Project and all properties connected therewith and belonging thereto is granted and created by Chapter 72 of the Acts of the General Assembly of Kentucky, of 1934, which said statutory mortgage lien is hereby recognized and declared to be valid and binding upon the University of Kentucky and all the property constituting the Project, as provided by law, and shall take effect immediately upon the delivery of any bonds authorized to be issued under the provisions of this resolution. Any holder of said bonds or of any of the coupons may, either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance of all duties required by said Act, including the charge, collection and accounting for sufficient rents and student fees and the segregation and application of the income and revenues as provided by this resolution.

If there be any default in the payment of the principal of or interest on any of said bonds, then upon the filing of suit by any holder of said bonds or any of the coupons, any court having jurisdiction of the action may appoint a receiver to administer said Project on behalf of the University of Kentucky with power to charge and collect a sum sufficient to provide for the payment of any bonds or obligations outstanding against said Project and for the payment of the operating expenses, and to apply the

income and revenues in conformity with this resolution and the provisions of said laws of Kentucky aforesaid.

Section 9. The bonds authorized to be issued hereunder and from time to time outstanding shall not be entitled to priority, one over the other, in the application of the revenues of said Project, or with respect to the statutory mortgage lien securing their payment, regardless of the time or times of their issuance, it being the intention of the University of Kentucky that there shall be no priority among the bonds authorized to be issued under the provisions of this resolution, regardless of the fact that they may be actually issued and delivered at different times.

Section 10. While any of the bonds herein authorized are outstanding, the University of Kentucky shall not issue any additional bonds payable from the revenues of the said Project, unless the lien and security for payment of such bonds are made junior and subordinate in all respects to the lien and security of the bonds herein authorized.

Section 11. So long as any of said bonds are outstanding, the University of Kentucky shall:

- (a) Maintain insurance for the benefit of the holders of the bonds herein authorized of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business, and pay the cost of such insurance from the Operation and Maintenance Fund hereinbefore described;
- (b) Keep proper books of record and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to said Project. The University of Kentucky will furnish to the original purchaser of said bonds, and to any holder of any of the said bonds, at the written request of such holder, complete operating and income statements of the said Project in reasonable detail covering each six months' period, and same shall be available not later than thirty days after the close of each such six months' period; and
- (c) Grant to the holder of any of said bonds the right at all reasonable times to inspect the said Project and all records, accounts and data of the University of Kentucky relating thereto.

Section 12. That the bonds hereby authorized be executed as soon after the adoption of this resolution as may be and thereupon said bonds shall be sold and delivered to J. D. Van Hooser & Company and W. E. Hutton & Company in accordance with the terms and provisions of the agreement for the sale of said bonds heretofore entered into, at a price equivalent to an interest cost basis of 3.4 per cent per annum, and the Treasurer of said University of Kentucky be, and he is hereby authorized and directed to deliver said bonds to the purchaser thereof in accordance with the terms of agreement of sale upon receipt of payment therefor.

Section 13. That all proceedings heretofore taken in connection with ordering the construction of said project and fixing and determining the rentals to be charged, collected and accounted for as services rendered by the improvements to be constructed from the proceeds of the bonds hereby authorized are in all respects hereby ratified and confirmed except only in so far as same may be in conflict with the provisions of this resolution.

Section 14. If any section, paragraph, clause or provision of this resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this resolution.

Section 15. All resolutions or parts thereof in conflict with the provisions of this resolution are, to the extent of such conflict, hereby repealed.

Section 16. This resolution shall take effect from and after its passage and approval.

Passed and approved by the Board of Trustees of the University of Kentucky this 14th day of January, 1936.

(Signed) A. B. Chandler
Chairman, Board of Trustees of the University of Kentucky.

ATTEST:

(Signed) D. H. Peak
Secretary, Board of Trustees

c. Test Suit.

On motion of Judge Stoll, seconded by Mr. Wells, which carried by unanimous vote, suit to test the validity of the bonds was authorized to be brought at once in the Franklin Circuit Court. Dean Frank Murray of the College of Law was asked to prepare the petition and submit it to the Chairman of the Executive Committee, Richard C. Stoll, for approval, who will direct the filing of the suit as ordered herein.

d. Vote of Thanks.

The members of the Board gave a unanimous vote of thanks to Dean Graham and to Dean Murray for services rendered in connection with the P. W. A. program.

e. Title of Heating Plant Site.

As it appears that the Security Trust Company holds title in trust to the site of the Heating Plant, it was ordered that the necessary steps be taken to secure proper transfer of title, satisfactory to Security Trust Company.

13. Appointments and Other Staff Changes.Appointment

Bruce Poundstone, field agent in Farm Management, Extension Division, effective about February 1, 1936, salary \$2500.00 a year. The appointment is to fill vacancy made by the resignation of Mr. Bondurant who goes from the Extension Division to the Experiment Station. Mr. Poundstone was connected with the University for six years as Assistant in Farm Management but for the past year and a half has been employed by the National Research Board and Resettlement Administration.

Leaves of Absence

Brinkley Barnett, Assistant Professor in the Department of Electrical Engineering, sabbatical leave for the college year 1936-37 on half pay. He expects to spend the time working for an advanced degree in California Institute of Technology.

Robert D. Haun, Associate Professor, College of Commerce, sabbatical leave for the year 1936-37, on one-half pay. He expects to do work in the Law School of the University of Michigan, towards the doctorate degree.

D. E. South, assistant professor of Mathematics, sabbatical leave for the first semester of 1936-37, on half pay. He expects to spend the year in graduate study at the University of Michigan.

Resignations

W. E. Watson, instructor in the Department of Psychology, effective at the end of the first semester of the college year 1935-36; resigned to take position in Western State Teachers College.

Miss Ritchie Stevenson, Home Demonstration Agent, Franklin County, effective December 31, 1935.

Changes, etc.

E. N. Fergus, Associate Professor of Farm Crops and Assistant Agronomist, salary increased to \$3600.00. The increase will be paid from Federal Purnell funds.

On account of the resignation of W. E. Watson, the following changes in the staff of the Department of Psychology were approved:

Margaret Ratliff, to take an extra section in the Department, increase of \$110.00 for the second semester.

Lysle Croft, to take an extra section and do other work in the Department, salary increase of \$225.00 for the second semester.

Appointment of Mary Asher as part-time graduate assistant to take care of laboratory sections, \$140.00 for the second semester.

These changes do not increase the budget allowance of the Department of Psychology.

President McVey was authorized to adjust the question of balance due if any on the salary of Mrs. Esther Cole Franklin.

On motion, properly seconded, the Board adjourned.

D. H. Peak
Secretary, Board of Trustees