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April 3, 1980

Messrs. Thomas F. Ahrensfeld
Joseph H. Greer
Arnold Henson
Ernest Pepples
Max H. Crohn, Jr.
Arthur J. Stevens

Re: Harvard Project

Gentlemen:

I am enclosing an issue of "Seminars in Respiratory Medicine," entitled "Respiratory Tract Defenses," prepared by Dr. Huber and the investigators at Harvard. Industry support is acknowledged at page ix.

The phase-out of the Harvard Project will be completed on June 30, 1980. It seems appropriate now to review some of the financial aspects of the Project.

You will recall that the sponsors decided to reimburse Harvard for proper Project expenses, plus 10% overhead, for the "pre-March 31, 1979" period from January 1, 1978 through March 31, 1979, during which funding had been withheld. In June, 1979, \$699,131 of such expenses (including overhead) were identified by Harvard and submitted to the sponsors for payment. The budget amount for this period, as set forth in the 1977 renewal agreement, was \$873,532, including 10% overhead.

Harvard is in the process of identifying additional expenses for this period from its computer run sheets. To date, have not received this information, but the amount will probably exceed \$174,401, the difference between the budget figure, \$873,532, and \$699,131, the amount already submitted. I understand that

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Harvard also will seek reimbursement of certain "other" expenses (e.g., architect fees, attorney fees, interest on withheld funds, etc.). As soon as this information is received from Harvard, I will review it with Dr. Huber and make a specific recommendation regarding payment.

The phase-out period which began April 1, 1979, has operated at about 15% below budget through December 31, 1979. As other sources of funding (e.g., NIH) close out, Dr. Huber expects the last two quarters to be at, or slightly below, budget. I expect to submit expenses for the quarter ended March 31, 1980, to the sponsors by mid-April.

The final phase-out quarter ends June 30 and expenses probably will be submitted by Harvard sometime in July. By then, I am sure Harvard will have identified the additional pre-March 31, 1979 expenses and the "other" items. I propose holding payment of the final quarter expenses, and any additional amount the sponsors agree to pay, in an attempt to reach an amicable settlement and obtain a complete release from Harvard.

Dr. Huber advises that 75%-85% of Project equipment purchased with industry funds is now stored in an independent warehouse under a lease in the name of Val Pochay, an assistant of Dr. Huber.

One of the sponsors, Liggett, has not paid a share of its reimbursements to Harvard. As of the end of the third phase-out quarter, the total unpaid is \$38,574. Liggett has expressed a willingness to pay \$7,500 as a donation to Harvard. The 1972 agreement provides that apportionment of payments shall be made by the sponsoring companies among themselves. I would appreciate your direction in this matter.

After review of the foregoing, please contact me if you have any questions. I would suggest that these matters be considered at a Committee of Counsel meeting in the near future.

Sincerely,



Lee E. Stanford

LES:res
Encls.

cc: James W. Chapin
Alexander Holtzman
Henry C. Roemer
Horace R. Kornegay
Janet Brown
Edwin J. Jacob

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