

Paul D. Paganucci '53, TU'54

Vice President and Treasurer of the College Emeritus

An Interview Conducted by

Jane Carroll

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INTERVIEW: Paul D. Paganucci '53, TU'54

INTERVIEWED BY: Jane Carroll

PLACE: Ledyard National Bank
Hanover, New Hampshire

DATE: October 24, 1996

CARROLL: I am here today, October 24, 1996, speaking with Paul D. Paganucci, Class of 1953.

PAGANUCCI: Tuck '54, etc.

CARROLL: Tuck '54 and at Dartmouth in teaching and administrative roles between 1972 and 1986. I didn't realize that you had gone to Tuck. Were you part of the class, part of the continuing classes, the five-year plan?

PAGANUCCI: Yes. Virtually all of us were in those days and, after Tuck, I went to Harvard Law School. So, in effect, I was an early M.B.A., J.D. before they had the combined degree programs.

CARROLL: Did you know that you were going to do that from the outset?

PAGANUCCI: I knew when I came to Dartmouth I was going to go to Tuck School. That is really why I came to Dartmouth. I could do it in five years instead of the six years it would have taken if I went to Harvard, which was the other college given serious consideration and then Tuck School was like one graduate year. Harvard would have been two, so I came here for that reason. But I had no plan at that time to go to Harvard Law School. My mother was disappointed that I didn't go to Harvard undergraduate. She had never gone to any college so she thought that Harvard was, you know, the one that I should go to and, to make her happy, I did three years of penance at Harvard Law School at the end.

CARROLL: Where had you grown up?

PAGANUCCI: Waterville, Maine. I graduated from the high school there in 1949.

CARROLL: Had you been to Dartmouth before?

PAGANUCCI: I never even saw Dartmouth until I came with my trunk as a freshman.

CARROLL: On the train?

PAGANUCCI: No, by car from Maine. But, in those days, it was not as easy to travel and the economic circumstances were constrained. I did not see this college before I came as a student; but you know, I felt that I knew a good bit about it.

CARROLL: Had you known other Dartmouth alumni?

PAGANUCCI: There were just two or three in our hometown who interviewed me and encouraged me to apply and so forth. I knew no other students except one whom I met at a summer camp who was a senior when I was a prospective freshman. That was really very frightening.

CARROLL: I'll bet. What was the College like in '49?

PAGANUCCI: Well, that is such a general question that it is hard to briefly answer. But it was dramatically different than it is today partly because it was so much more isolated from a point of view of no interstate highways, and no plane service to speak of although there was some kind of an airport in Lebanon.

The train service was sporadic then as it is now, and the greatest change of all is that the student body was all male. And there was not any conveniently available women's school or source of dates or anything and it was a very, very masculine environment in which the students took great pride and great joy in the friendships they formed.

CARROLL: Was there still a presence of the G.I. Bill and the influence of that among the student body?

PAGANUCCI: There was a minor presence of it by the time we entered in 1949. We probably had ten or twenty classmates who were on the tag end of the G.I. Bill, but there were increasing numbers present in the upper classes. They were a very self-confident, probably over confident, arrogant, cocky group and some of that rubbed off, I think, on those of us who, you know, were the freshmen.

CARROLL: What was your major?

PAGANUCCI: I was fortunate to have high grades, so I was excused from taking a departmental major because it was felt that I would... I was sort of accepted at Tuck School on a "pat-on-the-back" basis after my sophomore year. So I just really took courses in a complete cafeteria of liberal arts courses, a lot of philosophy, religion, humanities, studying the classics, English courses, contemporary literature, several art courses with Churchill P. "Jerry" Lathrop ['37]. And I just had a magnificent sophomore and junior year! History courses, too. I would have probably majored in history if I had had to have a major. But they didn't require me to and then I went into Tuck School and, in effect, the commencement program for my classmates and me all indicated that we majored in business administration, which you don't see today.

CARROLL: No. That's right. And then, when you got out, you said you went to law school at Harvard.

PAGANUCCI: After Tuck School.

CARROLL: Did you want to be a lawyer or did you want to combine law and business?

PAGANUCCI: Basically, the latter. Although, certain mentors kind of guided me toward law school as I went through Dartmouth. One, in particular, was a member of the New Hampshire Supreme Court, a member of the Class of '18, named Amos N. Blandin, who received an honorary degree from Dartmouth, I believe in the 50's. He lived here in Hanover because he used to like to write his opinions in Baker Library. He served as the Advisor to the Tri- Kappa fraternity. As I rose to become an officer in the fraternity, he and I became friendly and he kept talking to me about going to law school. He knew that I had very good grades, which I got by working night and day.

CARROLL: When you got out of Harvard Law School, what job did you take?

PAGANUCCI: Well, I never interviewed for jobs leaving Harvard Law School because, during my second year at Tuck School, one of the big companies came up to recruit, W.R. Grace and Co, and I had an interview just really as a favor to the later Dean of the School. Karl Hill ['38], then the Associate Dean, asked me to go to this interview sort of to please him because the recruiter was upset that no one

had signed up to see him or he didn't like the ones who had signed up.

So I went over to kind of "sandbag" an interview. They said to me, this New York-based company called W. R. Grace, "Why don't you come and work for us just for the summer, even though you are going to go to law school?" I did that. That was the summer of 1954 and they invited me back for two future summers. By the beginning of the second one, I was working as sort of a statistician in the office of the C.E.O. and President [J. Peter Grace]. I got to know him a little bit. He was only forty-one years old at the time. And before I went back to finish my third year of law school, he'd hired me at what, for then, was a very high rate of pay, to take me off the market, which I was happy with.

I loved it there anyway. I always did and the rate of pay, I think, was more than anyone was subsequently paid from my law school graduating class, by a significant margin. Lest you will be impressed, I think the average pay for our graduating class from law school with the law firms was five thousand a year!

CARROLL: Did you have a family by this time?

PAGANUCCI: Which time?

CARROLL: When you just got out of law school and were going to the Grace Company.

PAGANUCCI: No. No. No. I didn't marry until I was thirty-five years old and that was five years after two of my classmates, [Richard "Dick" Lombard '53, TU'54 and William N. "Bill" Vitalis '53] both from Dartmouth and one a Tuck classmate also, started a Wall Street investment firm.¹ We did that when we were an average of thirty years old. And they were both married to younger sisters of other members of our class. It was quite incestuous!

I remained single and lived with other Dartmouth or Tuck graduate contemporaries sharing bachelor apartments, a whole series of them. Quite a few different individuals would come in and then someone would get married, and then someone else would replace him. One of the ones who was there the longest with me... I guess

¹ The firm, begun in July of 1961, was called Lombard, Vitalis and Paganucci, Inc.

about six years in three different apartments...is one of the two major supporters of this project. ²

CARROLL: Did you always remain in contact with Dartmouth in some connection with it?

PAGANUCCI: Yes.

CARROLL: In what way?

PAGANUCCI: Well, I try not to brag in these things, but one thing I have some pride in is that, at the time of our twenty-fifth reunion, the class gave out small trays to the three or four of us in the class who had worked each year as an agent for the Alumni Fund since our first year as graduates when we were in the Tuck School as second year students. And I got one of those trays. I don't know what has happened to the other two or three fellows, but I have done it every year since then, so that is now forty-two or three years. So that perhaps has been the most enduring connection.

When we were graduate students in Harvard, the year would have been like maybe the spring of 1954, fall of '55, another Dartmouth man, Class of 1954, named Jonathan Moore--he is a very well known, distinguished member of his class, former Ambassador to the United Nations, Under-Secretary of State, things like that--and I shared an apartment in Cambridge near the graduate schools. And he and I founded the Dartmouth Club of Harvard! It was still operating as of maybe eight or ten years ago when I saw them hosting a big reception at the Harvard-Dartmouth game within the stadium grounds. So that was a time then. As soon as we started working in New York, this group of bachelors including myself, we became active in the Dartmouth Club in New York. We used it for a social center and, before we knew it, we were on the Board and we were this and we were that.

CARROLL: Were you on the Alumni Council, as well?

PAGANUCCI: Well, I was made a member of the Alumni Council in 1968 when we still had the Wall Street firm and I served on there until I came to work for Dartmouth in 1972. I also was the next youngest, at that time, Overseer of Tuck School which I became, I believe, in 1970. I was really thrilled with that...much more thrilled with that in truth

² That roommate was a major donor to the Dartmouth College Oral History Project being conducted by Dr. Jane Carroll.

than, you know, to be invited to a much larger alumni council. The only one younger was one David T. McLaughlin ['54] who went on about a year ahead of me and I suspect that he had something to do with my getting selected. But we have been very active in Dartmouth affairs; first, in New York City as a volunteer, and then here.

Dartmouth had a major capital campaign. It was only the second in its history. It was called the Third Century Fund because it was the 200th anniversary in 1969 and I was really very flattered to be invited by the chairman for New York City, who was then President of American Express Company, and he became a Dartmouth trustee soon after...William H. "Bill" Morton '32. His name is going to come up in these talks as we go along, but he was a very important trustee in the seventies and his influence continued well into the eighties when he was an emeritus trustee. And he was chairman of that campaign for Greater New York City and he asked me, when it was about half over, to be the vice chairman to get younger classes involved. So we had some wonderful times and we raised a lot of money.

CARROLL: As a member of the Board of Overseers of Tuck, what were your responsibilities to that institution?

PAGANUCCI: Well, the responsibilities of all boards of overseers are purely advisory. They are to kind of "hold the flag" for the school and in various environments where they may live and work and also, inevitably, you know, to raise as much money as possible and, occasionally, to give advice on various things that the academics feel they need advice on. Business schools are unusual because, unlike some professional schools, such as law schools where there is a tendency for professors to have practiced law a little bit, the career path in business schools is to get a doctorate and then go directly into teaching with very little real world experience. That's extremely frustrating to the tycoon types who get invited to be on boards of overseers and that's a constant source of a lot of grinding of teeth.

CARROLL: Were you working with John Hennessey at that point? Was he the head of the Tuck School at that time?

PAGANUCCI: He was the Dean of Tuck School, yes, when I became an overseer and then I became his Associate Dean on July 1, 1972.

CARROLL: Was it a hard decision to give up working in business and become an academic, an Associate Dean?

PAGANUCCI: It was a complex decision because I loved the work on Wall Street. I had the good fortune to have those two wonderful classmates...Richard "Dick" Lombard ['53] and William "Bill" Vitalis ['53] as my founding partners. Dick Lombard also was a member of the Tuck Class of 1954. We lived in the same hallway in Chase Hall for that year, the second year. Bill Vitalis and I became very friendly because we both were lucky to be chosen to be members toward the end of our junior year of the senior society known as Casque and Gauntlet. We were very close during our senior year and I hated, in some ways, to leave them but, having married at thirty-five, my wife and I had children some time after that. And when I received the offer to come to work at Dartmouth, we had pretty much decided to leave New York City for quality of life reasons.

I wanted to go back to Maine and practice law, to be near my then widowed mother. She had said, my wife, that I had too many relatives up there [Laughter] "Let's move to Hanover." The thought at that time was that maybe I'd be a lawyer up here which is a career I never have gotten around to, you know, to try to see if I could do it or not. But, the long and short was that I got this unsolicited offer from Tuck School in 1971 which, a year or two later because of all the Affirmative Action procedures which came in right after that, never could have been made. There would have had to be search committee and applicants considered and all this and that.

But we did not want to raise the two babies in Manhattan, so we were very ripe...we were going to move into a suburb and I would commute to Wall Street, or we were going to move to Maine or some other northern New England small town. We had a list. These two that I mentioned...Marblehead, Massachusetts was on it. Rye, New York was on it. Places like that.

CARROLL: How old were the children then?

PAGANUCCI: When we moved here, our son was like twenty months and our daughter was like four or five months.

CARROLL: Oh, they were very tiny. They hardly have any memories of any other place but this being home.

PAGANUCCI: That's right.

CARROLL: What a nice place for home.

PAGANUCCI: So, again, it was serendipity. It was just fate operating, you know, and luckily we listened. We didn't resist.

CARROLL: You must have come in with a certain advantage over other candidates that would have come in because you had already a connection with Tuck.

PAGANUCCI: Well, I don't even know if they had any other candidates. I don't think they could have gotten anyone else at age forty to give up a career before it had really reached a crest or fulfillment or whatever...a plateau. When I worked at Tuck, many, many people with business experience would want to come and teach a class or two or teach a course or join the faculty. The difficulty was they were normally between fifty-eight and sixty-five and they were too old. They all had made a lot of money and they had started thinking about a second career much too late in life. And they were not of interest because their vital energy had largely been devoted to other things. I am not aware that there was anyone else.

The associate dean job at Tuck had been one that there has never been a satisfactory solution to it. It's really not a career job and I think John Hennessey had had two or three other associate deans for one or two years each or less than that when I showed up. I was probably longer in the job than anyone else.³ Now they have it as a faculty rotation appointment, somewhat like the associate deans in the Dean of the Faculty's Office.

CARROLL: You had been an overseer. How hard was it then to adjust to being on the administrative side?

PAGANUCCI: You must understand that being an overseer is a very part-time job. It's an honorary thing. It's a great mission to be involved with, but it doesn't require much time or effort. Being an Associate Dean and teaching a course or two, which I did, requires many more hours a week than one making that transition would realize. I was apprehensive about it. I didn't just assume it would be automatically successful. Luckily, by starting work at the beginning of the '72-73 academic year on July 1st, I had the summer time to

³ Mr. Paganucci was in the job for four years: July 1, 1972 to June 30, 1976.

get acclimated without, in the Tuck environment, any summer term or any students around. I spent a lot of time that summer seeking the coaching of two people: John Hennessey, who was very productive and gracious about it as always. And a professor who is still there in the marketing area named Fred Webster who had been the prior associate dean on a one-year basis.

They had hoped initially that I would come a year earlier. But the affairs of getting our Wall Street business unwound and getting various loans distributed and deciding who was going to pay what and so forth, it was sufficiently complex that I couldn't come as soon as they wanted me. When I did come, I was, you know, quite concerned that someone with my background could get along with the faculty people because they come from a totally different culture. I did try very hard to adapt to them and to avoid being confrontational and to be collegial and so forth and I sense it worked out as it was hoped it would. But that isn't what I want to tell you. I don't grade myself on anything.

CARROLL: Was it hard to go and become a teacher when you had never done that before?

PAGANUCCI: Well, I had had some exposure, by giving one or two classes a year at Tuck School. You have to understand, in the era when we did it, there weren't too many Dartmouth graduates who had their own Wall Street firm.

Granted, it was very small to begin with. There were three of us in a room with the one secretary at first but it grew quite a bit and we got involved with some very interesting things. And we were still young enough so we, you know, represented something that the current students felt that they could attain, so whenever we would come to give a talk on anything, it would be pretty well attended. Then we would get several letters, you know, "Jeez, I'll come work for your firm for a dollar an hour." I'm being facetious now, but for some very nominal amount because they just realized what we were doing. It sounded so exciting to them. Therefore, I had had some exposure to teaching.

Again, I was very cautious and concerned about whether I could do it or not. The man who pioneered the course that I first co-taught with him, J. Bryant Quinn was one of the Hall of Fame, immortal, truly outstanding, legendary professors in the history of the Tuck School. He coached me a great deal. This particular course,

Entrepreneurship, also was one in which there is a lot of visiting speakers so the role of the professor is kind of to guide this thing...the presentation and the questions and so forth. So, again, I was apprehensive, but I think it worked out fairly well. The next year, Quinn was on leave and then I taught the course alone. I think I taught it twice solo and three times co-taught it with him. Then, when I went to Parkhurst [Hall], there was just no way I could teach a course alone. Jumping ahead a little, John Kemeny taught courses throughout his career as President!

CARROLL: You came here in '72 when Kemeny was President.

PAGANUCCI: Yes.

CARROLL: Had you known him or worked with him before?

PAGANUCCI: I had known him slightly through that Third Century Fund. They used to have a kind of gathering of the leadership group which I was invited to after the appointment through Bill Morton ['32] to be vice chairman in New York City. Kemeny, from the beginning of that campaign, was head of the foundation section, the effort directed to foundations. So he would come to those meetings. He was the only faculty member involved. His legend had preceded him because of the pioneering work on time-sharing computing and invention of Basic and Logic and the various contributions toward building the great math department that he did that enabled him to become famous, really, at a young age here. And so I knew him, not well, but I knew him a little bit. Soon after he became President, and I was not particularly surprised that he got the job, though there had not been a lot of speculation that he would get it. All of us having started school early in his presidency thought John Sloan Dickey would be president for all our lives! [Laughter] As earlier, I thought Franklin D. Roosevelt would be President of the United States because he was from the time I was about two until I was fourteen or so. [Laughter] But things do change and John Kemeny, I felt, was, you know, a very inspired selection as President of Dartmouth.

CARROLL: Of course, he was not unanimously welcomed by the alumni. Why was that?

PAGANUCCI: Well, the ones who didn't welcome him would have to speak for themselves. I don't truthfully know. You know, he didn't go to Dartmouth. That was...if there were people who were

uncomfortable with him...because John Dickey and Ernest Martin Hopkins and I believe President Tucker had all gone to Dartmouth. There had been a culture here developed that the President should be produced by the school and, in the case of John Kemeny, he was the first one, at least in this century, not to fit that mold. I don't think that was a major impediment to the mainstream though because he had been here so long. I think he was twenty-six years old when he came as a full professor from Princeton and he had done so much to put Dartmouth on the map that I think people were very proud of him.

CARROLL: Could you describe him and what he was like? His personality...

PAGANUCCI: He was a complex man and he was an unorthodox administrator. Most administrators, as I am sure you know, take pride in getting into the office early in the morning and working into the evening. John, I have no doubt, worked as many hours, but I think, due to his coming from the academic culture and his own proclaimed metabolism, he preferred to work well into the night, until maybe two, three, four o'clock every morning. He would then get into the office between ten, ten-thirty, eleven, something like that.

He also dressed informally compared to perhaps the more stuffy attire of virtually all of the college presidents of that era. He was extremely brilliant. I think you have to mention that early on with him. He was one of the two or three smartest people, the actual brain power that he brought to any question, that I have ever known counting the faculty in the graduate schools I was in or some highly successful types in professions and business and so on that I have known or worked for. He was a genius, I think, in many ways.

CARROLL: Jean Kemeny told me she thought that he did not so much overwhelm you as persuade you when he wanted to get his point. Do you ever remember seeing that in action?

PAGANUCCI: Yes. I saw it in many smaller meetings. You know, he was trained in logic and math and he had a fabulous mental capacity; also a great gift to express himself in a very articulate way without notes and without any apparent prior preparation. It was best seen, you know, in a dramatic public forum at the time of a faculty meeting. You kind of asked in one of your questions, "What was his relationship with the faculty?" He was sort of like the lord with his vassals. He didn't have to make anywhere near the concessions to the faculty when they wanted something or other that his

successors, I perceive, have had to make because he would simply get into a debate with them in a faculty meeting and he could use logic to overwhelm. He could use humor to humiliate them. He was also the best parliamentarian of any of them. He could out finesse them, you know, in any procedures to either accelerate or delay. He just ran rings around all of them. They were a pretty smart crowd on their own, you know.

CARROLL: I had somebody tell me that when he could see his motion failing at a meeting, he would move to adjourn the meeting.

PAGANUCCI: I'm sure. That would be an example of his parliamentary skills. Yeah.

CARROLL: Was he actively involved in the overseers at Tuck when you were there?

PAGANUCCI: Well, he was a member; however, then and now, the deans of the professional schools reported to the provost. So, the Provost, who was Leonard Rieser at that time, was much more of a presence in the Tuck School and at various Tuck School Overseer meetings and everything, then was the president. I think, roughly, whether by custom or otherwise, the President, John Kemeny, tried to attend one Tuck meeting a year. But, the Provost would be at all of them.

CARROLL: And you as an Associate Dean...you became an Associate Dean at Tuck...you answered to both John Hennessey and then to Provost Leonard Rieser?

PAGANUCCI: No. I answered only to John Hennessey.

CARROLL: Okay.

PAGANUCCI: And John Hennessey answered to Leonard Rieser. I mean, that's how...

CARROLL: The chain of command.

PAGANUCCI: Yeah. Sure.

CARROLL: There were so many curricular changes that happened at Tuck right in the seventies and I was looking at the catalogue and was fascinated by that. What was the thought process for this revamping, really, of the curriculum?

PAGANUCCI: Well, you mentioned a couple of the courses in the quantitative area of which there were three required courses in the first year when I arrived and the organizational behavior course. The fact is those were put in, to the best of my recollection, in the late sixties or earlier. They were not new courses when I got there.

Why were they there? Well, the development of computing and time-sharing which has now been eclipsed by personal computers, but they so increased the ability to analyze and to do statistics that they made possible the offering of other courses, more sophisticated courses and subject matter that, if things had to be done...

[End of Tape 1, Side A -- Beginning of Tape 1, Side B]

PAGANUCCI: ...the power of the computer made possible much more sophisticated statistical techniques and analytical techniques which is why the quantitative courses entered the curriculum and that was well established in 1972 when people were using old teletype machines to communicate with a central computer in Kiewit. The organizational behavior course was also part of the curriculum and I think that had existed in a more primitive form going back to our student days twenty years ago at Tuck School. In those days, it was called "personnel".

CARROLL: Oh, yes.

PAGANUCCI: It basically now, that department has most frequently come to be called Human Relations; but, essentially, the subject matter is the whole area of how you lead, how you follow, how you govern, what interpersonal skills you need to motivate, to generally manage a diverse pool of individuals.

CARROLL: It seemed to have, as I looked at the books and the booklist, it seemed to have a lot to do with behavioral science...

PAGANUCCI: It does. It draws heavily on psychology. The behavioral sciences are a branch of psychology, right?

CARROLL: So, was the faculty at the Tuck School made up of people with different training and different kinds of backgrounds? Were there psychologists on the Tuck School as behavioral sciences...

PAGANUCCI: To my best of recollection, no one was like a Ph.D. in psychology. They tended to have Ph.D.s or D.B.A.s [Doctors of Business Administration]. But I would think that someone like John Hennessey, who was one of the two or three specialists in that area, would have had a lot of exposure in his Ph.D. program to the behavioral sciences, psychology and so forth.

CARROLL: Were you at all part of the formation of the Student Loan Corporation, TELCO [Tuck Educational Loan Corporation]?

PAGANUCCI: Yes. However, there is a much more important chapter to come when you talk DELC [Dartmouth Educational Loan Corporation].

CARROLL: I am afraid I don't know about that. Could you maybe talk a little bit about TELCO and what it was supposed to do?

PAGANUCCI: Yes. Well, there is a very logical progression between the two. TELCO surfaced during that period of maybe twelve to eighteen months when I was on the Board of Overseers and that's when it was set up. And, due to the escalating costs of getting an MBA and trends that were developing, not just here but nationally where more and more students were coming in more independent financially from their parents partly because the average age was increasing, partly because the name-brand MBA programs were requiring students to have work experience before they wanted to let them into the classroom and so forth. The older students felt inhibited or they did not want, for other reasons, to draw on parental aid and they did not have enough savings, because inflation was driving the costs up very rapidly. Therefore, a source of loans was needed and neither the federal programs nor the private sector banks were sufficient. And so Tuck School and Dartmouth had a tradition, until very recently and I hope it is still going on--I just don't know the names in the last five years or so--but Dartmouth and/or Tuck graduates occupied for a long period of time senior positions in General Motors Corporation. In many ways, it is the most influential U.S. industrial corporation, and this goes back to a man called Albert Bradley, who was in the Class of 1915 and a Tuck graduate, who was very generous to Dartmouth and to Tuck School. The mathematics building was named in his honor and he gave many fabulous scholarships including one that I had which paid absolutely everything during my senior year, which was my first year at the Tuck School.

And he, in turn, came to Tuck School, I think, as a young man to recruit students and a succession developed. There was on the Tuck Board during the sixties and early seventies a Dartmouth alumnus from the early thirties named John Zimmerman ['32 TU '33] and he was the President of General Motors Acceptance Corporation at that time. He had as his chief lieutenant another Dartmouth man and Tuck man, I think a year or two after him, named Allen Brush ['35 TU '36] who currently lives in New London, New Hampshire. And General Motors had pioneered financing the sale of their own production of cars through monthly payments, through G.M.A.C. And, instead of sending the business to banks, they did it. It was very profitable and very skillful, and John Zimmerman urged that the same principles be used for a loan corporation that would enable students to borrow money in the amounts they needed over the two years they were at Tuck School and then pay it back on a monthly basis once they started work. His idea, because G.M.A.C. itself is financed significantly by a whole syndicate of commercial banks that lend and perhaps rotate their membership so that they are all paid out once every two years or something, and there is always an ever increasing amount of credit.

I am jumping around and oversimplifying. It's getting too long anyway, but the idea was to set up a company that would borrow money from the banks. It would be a not-for-profit owned by Dartmouth, and that it would--say that the prime rate was 8%, it would charge maybe a point and a half more to cover certain administrative costs. The students, once they graduated, would pay back monthly at a nine and a half percent rate and it was all modulated. And G.M.A.C. had great experience in this, to set the payments so that it didn't absolutely break anyone. If someone owed a large amount of money, they had more years to pay it off than if they owed a small amount of money or, if they got a very high paying job, they could pay it off at a faster rate if they wanted to and so forth.

Albert Bradley made one or two very generous gifts because he was so pleased that Tuck School was using a couple of his proteges to set this up and he gave a sort of equity amount that Tuck Educational Loan Corporation needed. As I recall, it was two or three hundred thousand dollars and this company was consistently profitable. It made modest profits because Tuck basically, you know, provided rent and space and so forth. It was a very successful model. Students loved it. There weren't too many

nit-picking questions asked when they wanted money and one of the nice things they'd do, and still do, is that a student graduating often has a lot of expenses in the area of deferred demand. They might have had one suit when they interviewed; but, if they are going to start work, they need two or three suits and, in many cases, they need to set up housekeeping or babies arrive. Tuck has been encouragingly liberal about lending them money through TELCO to buy the wardrobe or furnish the apartment or travel, whatever. So, that was very good and it was helpful. To just put a p.s. on that, a protegee of Zimmerman and the others was a member of the Tuck Class of '53, one year ahead of ours, and this is F. Allen Smith...he retired about three years ago as the Chief Financial Officer and a Vice Chairman of General Motors. He was that for fifteen, twenty years. A very key, important job, and he has been on the Tuck Overseers. He may or may not still be... I'd have to look at the list right now, but he was there just two or three years ago and was very active, very supportive and it's all in that tradition. Sorry for such a long answer.

CARROLL: No. No. We like long answers. Now you said that this is related to a program called DELC [Dartmouth Educational Loan Corporation]. What is that?

PAGANUCCI: Now we are jumping quite a bit ahead into the early stage of the McLaughlin [David T. McLaughlin '54] administration, but during the late seventies, to control...the unprecedented inflation that the U. S. had...we had double digits and all...when Paul Volker became the head of the Reserve Bank, interest rates were dramatically driven up within a short period of time. It started in '78 or '79 and, if you can believe it, the prime rate of interest during that period hit around 20%. That made a loan from TELCO, let's say a 22.5% loan, to the students who had to come in at the peak. It was unbearable. It was not legally usurious, but it had the same effect as a pawnshop kind of loan.

So minds went to work and, by this time in the early '80's...let's say it was the year that the search for Kemeny's successor was going on. That would have been '80-'81. William H. Morton ['32], who had spent his life in the tax-exempt bond business in New York City and built up his own very successful firm and then, when his firm was acquired by American Express, became President of American Express and a Dartmouth Trustee a short time after that. He and another man who was an Overseer of the Dartmouth Medical

School⁴ began talking to me about "Why can't we sell tax-exempt bonds to lower this rate of interest and to take a program that is helping only Tuck students now and make it available to undergraduates and medical school students?" Bill Morton had been the Trustee representative on the Board of Overseers at the Medical School and had played a great role in really keeping it from sinking in the '70's due to some heroic fundraising and great advocacy, which we will come to in our talks. He essentially said, "Because of the tremendously high rates, even though municipal rates are over 10%, we could still produce a prodigious saving."

So, at that time, in Parkhurst, the College's head lawyer and his assistant worked for me and so we began studying whether it could be done. We had a tradition always of having Tuck students, two of them, working for us in the Dartmouth financial office in the summer time between their first and second year and we had, in either the summer of '79, or the summer of '80, the students spent practically the whole summer making projections on how much money we would need, what the loan demand was, and what the pros and cons would be.

The major impediment was that New Hampshire, as other states in the '60's, had adopted a law whereby educational institutions could gain access to tax exempt funds, but in New Hampshire, and I guess the other states, too, in that era, it could only be for bricks and mortar. If the University of New Hampshire or Dartmouth needed new dormitories, they could go to the State of New Hampshire Authority and sell tax-exempt bonds and the faith and credit of New Hampshire would not be jeopardized in any way. But it was a conduit, an umbrella that could be held over the educational institutions and it was limited to physical facilities. A new library, a new gymnasium, new dormitory...you could finance it with tax-exempts if you met the credit standards of the market.

One of the things that I feel very pleased about is that Cary Clark ['62]⁵ and I, with the enthusiastic encouragement of [William] Bill Morton ['32], who led the other Trustees...he was really an inspirational leader as an individual...we were successful in getting the New Hampshire law changed so that student loan bonds could be sold through this authority as well as the bonds for facilities. Dartmouth had never had a tax-exempt bond offering. It had an

⁴ Lawton Johnson was the Overseer.

⁵ Cary Clark was the College Counsel.

essentially debt-free balance sheet in that transition year of '80-'81, but we began working and planning a tax-exempt bond issue.

I remember that we went to see Governor Hugh Gallen. He was the Democratic Governor at the time. He was very gracious. Our lobbyist lawyer went with us. That was [Thomas] Tom Rath of the Class of '67, a wonderful, able, former State Attorney General and right-hand person of Senator Warren Rudman. Tom and I and Cary went in to see Governor Gallen. He had only one thing on his mind and that was "Would it cost the state more money if we did this?" Dartmouth was prepared to subsidize the very nominal cost that might have been involved. We were able to guarantee him that this would be all plus and no minus, so he backed it and it whistled through the legislature. We went down and spoke to some of the legislative committees and testified and the law was changed sometime...I don't know the exact date...but let's say sometime in 1981. And, in the summer of 1982, after McLaughlin had been President for almost a year, Dartmouth made its first tax-exempt bond offering through that amended legislation, which was principally for student loans.

The TELCO operation was folded into this bigger new company. TELCO had been so successful that the new company didn't have to put up any more additional equity. Certain assurances were made that Tuck students would get first call on certain things, which never had to be called on because there was enough money for everybody. There was a portion kept for borrowing from the private sector because, if you wanted to make loans to students for a new wardrobe or something, you couldn't use the tax-exempt proceeds. It had to be for educational purposes and you couldn't lend to alums. It had to be lent to undergraduates or graduate students.

And so, by September of '82 when the new class was enrolled, we had a large pool of, I guess the original amount was twelve million dollars or so, of money at an interest rate of roughly half of what they had been paying to the banks and that was still at very high rates which subsequently subsided. Today undergraduates and graduate students are able to borrow from DELC [Dartmouth Educational Loan Corporation], it is called. We couldn't use DELCO because that is a General Motors acronym, but DELC...I can't tell you the current figures on it because I have intentionally stayed away...I have kept my nose out of it. We are very, very proud of what went on there and it has saved students hundreds of

thousands of dollars in interest during this period. So, it is a long, complicated story.

CARROLL: I like that story.

PAGANUCCI: Yes.

CARROLL: What I am curious about, too, is a program called TEP [Tuck Executive Program], which began in 1974.

PAGANUCCI: Yes.

CARROLL: Why was the program begun and what was its goal?

PAGANUCCI: As a young alum, I perhaps had a window into this that was fortuitous. The man who had been Associate Dean of Tuck School when I was a student was named Karl Hill...I mentioned him earlier. He became Dean around 1957 and he was Dean for ten years or so. He was a wonderful man and he had a certain fascination with what a couple of us had started down on Wall Street. He used to drop in on us, you know, and we would be sitting there in that little room and we loved to see him. And he used to write occasionally about things that he was struggling with at the school and he hopefully thought we might have, you know, influenced the younger graduates. We could certainly get out a crowd for his dinners and things that would come annually. He had hoped to get an executive program going in the fifties. It didn't get going. Then he had hoped to get it...with Hennessey...they tried again in ten, fifteen years later in the sixties and it didn't get going. In the seventies, it finally was established. If they had been able to do it in the '50's, it would have been one of the first five or so graduate school programs.⁶ It wasn't done because it was felt Tuck was too small. It couldn't staff it adequately with faculty resources. They were reluctant to import players from other schools, see. The same excuse was given in the '60's when there were probably three times as many offering programs.

Harvard led in this area and they had the very long advanced management and middle-management programs. They would last about three months. Very elaborate. Very expensive. Very profitable for the schools offering it and very lucrative for the faculty who teach in it, you know, whether it was a course or a few classes. In any event, John Hennessey felt that, by then, at Tuck, it was

⁶ The program was for executives.

embarrassing not to have one because so many others had and there were only about four on the committee including me, Ken Davis, and I think Leonard Morrissey who is a retired professor of accounting, and one overseer who, at that time, was a Vice Chairman of General Electric named Stanford Smith [J. Stanford Smith], a very able and personable man. He later was hired away from General Electric to become the Chief Executive Officer of the International Paper Company. It was quite an interesting dynamic to have the two professors and Smith and me on this committee and our responsibility was to come up with the recommended program.

The faculty members wanted a program that would have gone eight to twelve weeks, you know, sort of like Harvard or Wharton's or wherever else. But, by then, they had so much momentum in the market, nobody was going to come to a "me too" Tuck program. So a compromise was made at the very end, because the faculty members first compromised on a six-week program, but Smith held out and said, "Nobody will send a soul unless it is no longer than four weeks". So it came to life as a four-week program. It has never been longer than that. It may have been shorter than that. It has flourished to the point where, in the seventies, late seventies, early eighties, I think they might have had two sessions of it, either consecutively or concurrently. I believe it has shrunk to one now. I have lost track of it, but it is a case where Tuck, because of its small size, which is a great strength of Tuck in many ways, it inhibited its ability to make this kind of an offering until most of the rival schools had already entrenched themselves in that market. It is a very good market because these people pay a lot. Tuck School doesn't have a summer term, unlike the undergraduate college; and, therefore, you know, it has a guilt feeling about not using the facilities very much and this was a nice way to fill in at least part of that gap.

CARROLL: Did you ever teach in that program?

PAGANUCCI: I think I taught one or two classes about one particular case which I was familiar with, but I was not one of the regular teachers.

CARROLL: Were you instrumental in the design and raising of funds for the Murdough Center?

PAGANUCCI: The Murdough Center...that's an interesting example because, anyone doing your kind of a project here, where some of these

things have such a long lead time between fundraising, planning, building, dedicating and so on, very frequently an incumbent president gets the credit in effect for something important happening in his term which was really worked out in his predecessor's. That's very much the case here. The Murdough Center was pretty much a result of a campaign carried on at the end of Dickey's administration, and it was planned by them. And one big gift came in from the Murdoughs, thanks to the good work of Orton "Ort" Hicks, a retired Dartmouth Vice President, Class of '21 and it was all planned before I got to Tuck School. And it kind of came between Dickey and Kemeny, but certainly Kemeny would get the full credit for it.

When I returned to work at Tuck School in 1972 on July 1st, the place looked very similar to what I had left in June, 1954, eighteen years earlier except for a computer room in the basement of one of the dormitories where they had those teletype machines. That was open twenty-four hours a day and used just about that often, frequently. But the Library was still on the second floor.⁷ Students were still living in the two wing buildings. The Tuck Mall Dormitory, now called Buchanan Hall, had been built. That was built in the sixties. There is a joke about how it got named. But Murdough was built during my first year there and it was opened, I think, in the fall of '73. And it dramatically changed and improved the Tuck School, both in classrooms, and in room to expand. We combined [the] library and the auditorium-style rooms, which are as good or better than anything Harvard Law School had. Tuck had had only one room like that. They went immediately to having three, plus the one they had previously had, plus Cook Auditorium. Very, very important changes.

CARROLL: And it physically ties the Thayer School, the Engineering School, to Tuck Business School. Has that facilitated a closer working between the two schools?

PAGANUCCI: I think it has been...just from the fiscal perspective...first, it has been economical for each of them because they had been maintaining separate libraries with separate staffs and so forth and the symbolism of the "bridge building" was to have a common library [Feldberg Library]. That was a very high priority and certainly that enabled each of them to have a better library for less impact on their own budget by sharing with the other. And there is significant commonality between the subjects of interest in the

⁷ The library was on the second floor of Tuck Hall.

Engineering School and in the Graduate Business School. The sharing of faculty offices never took place too much because I think Tuck faculty had offices in Murdough, but most of the Thayer faculty stayed in the Thayer Building.

You mentioned in your notes about a desire to combine the two schools. I have been involved over the years in a number of different level dialogues about how the schools should work more closely together. I am totally unaware of any proposal by anyone to combine them and that would have, I think, caused a great amount of consternation. The efforts, partly because of the desires of academics to remain independent in all environments, have not been very fruitful to combine them. There have been some high points, but the low point for many years, and I don't know if it still persists but I suspect so, was there are many students, very talented students, who would like to take courses in each place. Because Thayer School and they do have an undergraduate major there, was always tied into the undergraduate college and the Arts and Sciences time-table and Tuck School professors always wanted to have, I think, sixty-five minute classes instead of fifty minute classes.

CARROLL: It couldn't work.

PAGANUCCI: Well, they have both continued to have their different class schedules and it is virtually impossible for a student to go from a ten o'clock class at Tuck to an eleven o'clock class at Thayer. It is sad.

CARROLL: I am curious. I am going to back you up a little bit because there was a funny story connected to the naming of the Buchanan Hall.

PAGANUCCI: Dartmouth, in the sixties, built a number of dormitories. This was a period of costs going up more rapidly than anyone in the responsible jobs had previously seen in their lives. They had all lived through the Depression and, you know, had seen prices go down and so forth. And so the Tuck Mall Dormitory would be in the same category as the Choates [Choate Road Dormitories] which you may be familiar with and the River Cluster, both of which have been on-going headaches to Dartmouth because they took so much out of those construction budgets. They built shoddy buildings. They never should have done it to begin with. It would have been better not to have them at all. They probably now have spent a multiple of what it would have cost to build them correctly in

the beginning. However, Tuck Mall dormitory is a little bit in that category.

The funny part about it, for all of these buildings, they want to get donors. They have great trouble because donors often aren't thrilled about having their name on a dormitory as opposed to a library, say, or an art museum or something. And the students moved into the completed building on Tuck Drive and they still didn't have it named because they were still seeking a donor-- someone who would give a big enough gift to get his name on the building. So, the mailman is coming and the students, you know, are trying to learn how to get their mail and there is a rack for mail distribution in the foyer of this dorm and so the school had no name for it. So the mailman, himself, named it. He called it the "Tuck Mall Dormitory" and that stuck for about fifteen years until the Trustees named it in honor of William "Bill" Buchanan ['24] who had made major gifts to other parts of Dartmouth. It didn't go to Tuck.

CARROLL: So it was a de facto naming. I like that. [Laughter]

PAGANUCCI: Well, Bill Buchanan was just the most wonderful man. I was thrilled when they named it for him. He was the father-in-law of my Wall Street partner, Bill Vitalis '53.

CARROLL: Oh, really.

PAGANUCCI: Who, if you look behind you, you will find him in those pictures as one of the eleven or twelve founders of Ledyard National Bank.

CARROLL: Oh, my heavens.

PAGANUCCI: And he is still there. I don't mean to distract you.

CARROLL: No. I like that. So Bill Buchanan was the Class of?

PAGANUCCI: '24.

CARROLL: '24.

PAGANUCCI: He also was one of our two major financial backers when we started that Wall Street firm. You can't start a Wall Street firm at age thirty just with holy water. You have got to have something a little more substantial and he really came through for us.

CARROLL: You could have things worse than holy water, though. [Laughter]

PAGANUCCI: Yeah.

[End of Tape 1, Side B -- Beginning of Tape 2, Side A]

CARROLL: ...it was the first year of coeducation. So you were not here for the debate, but you were here for the implementation.

PAGANUCCI: Well, I had been President of the Dartmouth Club in New York City during the debate and I remember we had a massive dinner down there, which was perhaps Kemeny's first after he was President. It was probably in the spring of 1970, though it may have been '71. I'll have to check. I don't think the Trustees voted it then, but he was doing his spade work, you know, to try to change opinions to the extent that there were those present who did not favor it.

CARROLL: Did people question him about the decision during that meeting?

PAGANUCCI: Well, I think they questioned him about the prospects of it. Oh, yeah. There was a long question period after dinner and the ballroom up there...now it is called the Hyatt Hotel...it was just crammed to the rafters.

CARROLL: What were people's primary concerns?

PAGANUCCI: Well, I think that the consensus feeling in that room that night among the alumni was that they loved Dartmouth so much as an all-male institution that deep down, they didn't want it to change. Even though many of them knew it had to change because all the other Ivies one way or another had women. I think we were the last, or next to the last depending on how you count Columbia, which had Barnard all along anyway. It wasn't a leadership decision we made here. It was following a consensus in order to continue to attract the best students because, I think it was felt then by the very wise individuals and subsequently proved that, unless you have a student body that is coeducational, you will be shunned by the best of both sexes.

CARROLL: Was that the argument that persuaded those who were reluctant to go coed?

PAGANUCCI: No. Many of them were never persuaded. But the thing that persuaded most of the adamant opponents within the first five to ten years of coeducation, they learned that, lo and behold, they were producing as many daughters and granddaughters as they were sons. As long as they were going to have women up here, it might as well be their daughters or granddaughters and, therefore that, more than any other variable, melted those traditionalists.

CARROLL: Now when you first came up here in '72, that was the first class, eight hundred women now suddenly present on campus. Was their presence felt? Were they a visible presence on campus?

PAGANUCCI: Yes. Of course. To get them the College temporarily reduced the number of men. The numbers are on one of these offering circulars in front of us here.

CARROLL: I had thought that they had promised the alumni that they would not reduce the number of men. What actually happened?

PAGANUCCI: It might be better if you want to shut off just a minute and let me...

CARROLL: You have found the citation. I would like to have you read it. If you could read the citation we found, that would be wonderful.

PAGANUCCI: Now, which is the one that you had?

CARROLL: I had the one with the markings on it. Right here.

PAGANUCCI: Okay. I have in my hand now the offering circular for the initial Dartmouth College offering of tax-exempt securities through the New Hampshire Higher Educational and Health Facilities Authority. It is dated June 29, 1982 which was prepared with the help of Goldman Sachs, who was the underwriter and who helped with the numerous lawyers to facilitate the first financing which was principally for funding for the Student Loan Program throughout Dartmouth and the professional schools. Under the description of the Dartmouth academic program, on page 13 of this document, there is a paragraph, which is perhaps worth reading.

"A new era in Dartmouth's tradition began in 1972 when women were admitted for the first time to its undergraduate program and the so-called Dartmouth Plan of year around operation the "Plan" was initiated. Under the Plan, the academic calendar was expanded to four full terms roughly corresponding to the four

seasons. Subject to certain requirements (for example, all students must enroll one summer term), students may after the freshman year adopt enrollment schedules (including on-campus and off-campus study and leave terms) which best suit their individual academic and personal needs. This shift to year-around operation was accompanied by an increase in undergraduate enrollment from approximately 3,150 students (all men) in 1971 to 4,176 students (2,699 men and 1,477 women) in 1981. The Plan and Dartmouth's expanded off-campus study opportunities have together enabled Dartmouth to make this increase in enrollment without correspondingly adding to it's physical plant. Furthermore, by breaking the traditional pattern of nine consecutive months of study with summers off, Dartmouth has provided students with flexibility in arranging academic schedules and job or vacation opportunities."

CARROLL: So, basically, there was a loss of five hundred or so men [451, in fact].

PAGANUCCI: Yes, there was.

CARROLL: In going coed.

PAGANUCCI: Yes. And that led to certain further resentment.

CARROLL: How did that ever slip by?

PAGANUCCI: I can't fully explain it to you, but it was certainly...it happened in increments.

CARROLL: That's new news and I am really pleased to get that.

PAGANUCCI: This, I can assure you, is official data obtained from the records of the Registrar's Offices; in effect, the equivalent of audited data. This material in these circulars must be as accurate and as factual and as objective as is humanly possible to get it.

CARROLL: This is fascinating because you read the speeches that were given about this to placate the alums and make them feel better and the official line is that there had been no loss of male enrollment. Clearly, that was not quite true. What I am wondering is, with the women, the presence of the women on campus...what were the problems that came to the fore? I am thinking things like fraternities and the integrating of the inter-campus life. How sheltered were

you from this at Tuck? How aware were you of the struggles of coeducation?

PAGANUCCI: I was reasonably aware because, on a more refined level, we were introducing women to the Tuck student body. The first woman graduated with the Class of 1970, a couple years before I arrived there, but the second, third and fourth women were all students when I did arrive there and certainly, of the first dozen, I knew eleven of them as students. One of them, I had work summers for my former firm in New York City and whose Dad was a very close friend of mine, at the Grace Company. I had encouraged her to come to Tuck School and she is now one of the members of the Board of Overseers!

CARROLL: How wonderful. Who is that?

PAGANUCCI: Noreen Doyle [TU '74] is her name. She is just an outstanding individual. I am so proud of her, but I am getting off the subject again. Certainly, all of us who lived in Hanover were aware of some of the growing pains and some of the great matters of pride and accomplishment that came from the introduction of women to the college. I did this because, as a Tuck representative, I was on various committees with undergraduates, undergraduate deans. Some of them were friends of mine. We, you know, would see each other in different environments...the athletic contests, and so forth and so forth, and talk. We were aware that there was a culture here that was changing and that it was a time of change throughout the country. It was really a continuation of all the upheaval in the '60's and it was kind of belated arriving in Hanover.

CARROLL: Had you read, in 1979 when it appeared, this article in *Esquire* that talked about the problems of the Dartmouth tradition and integrating women to it. The hanging on to tradition...

PAGANUCCI: I don't recall that specific article. I do think that most of the male students were enthusiastic about having women here and they were very supportive and helpful to the women. They loved having them around for lots of reasons... There was a hard core of individuals, probably centered in the fraternity system, that were the younger versions of the alumni who loved Dartmouth so much they hated change. They didn't want it to be gentrified as they sensed it would be. They loved the macho, rough and tumble kind of arrogant, cocky... the image that heavy drinking was a part of it, but it wasn't a cornerstone, in my opinion. And they...in effect, they kind

of hazed women in various ways...sometimes gently, sometimes severely. I never felt, though, that they were in any way a majority. I don't think that any women here ever felt that the bulk of the male students were resentful of them or were resistant to them. Life just doesn't work that way!

CARROLL: Just changing the topic a little bit... Kemeny had really pushed for coeducation? He seemed to have the support of the faculty for this. How did he gain the ground with the alumni that he had clearly lost in pushing for coeducation? Jean Kemeny talked about him going out, having to talk with the alumni groups and persuade them to bring them back on board. Did he do that in any other way?

PAGANUCCI: Well, he worked hard. He was a very conscientious person in his own ways. Just as a side example, he really disliked traveling. So, where for some presidents the tours of the alumni cities, traditionally in the springtime, were something they would really exalt in, I think John did it very responsively, but I don't think he enjoyed it as much. But he did try very, very hard to keep people informed of what was happening and he was a very good speaker and he was able to use humor to his advantage. He might have some anecdotes about different achievements about the women in the class room or otherwise, and he would perhaps sprinkle in references to the daughter of so-and-so, class of such and such, and the granddaughter of so-and-so and name a trustee or some well known alumnus. There wasn't ever really a concerted campaign. I don't recall his discussing with me any way of trying to mend hard feelings. I had sensed intuitively he felt that time would bring the situation around...which it did.

CARROLL: You were called over to Parkhurst in what year?

PAGANUCCI: I think in 1975, I learned that a man named John Foster Meck ['33], who had been the Vice President in charge of the College from I believe 1949 [Vice-President and Treasurer]. He was Class of '33 and himself a Yale Law School graduate and he had a distinguished young alumnus career before he came back here. He was selected by John Dickey as a young President to be his financial person. Meck was one of these tall, wiry, leathery, northern New England types. A very patrician man...lean, with sharp features. He was sort of ageless and I was really quite shocked when I learned that he was planning to retire and it was going to be at the end of the following year. There was a long lead-time, but the next thing was, you know, there would be a search for

his successor. So I began thinking about whether I would rather be in that job than in the job at Tuck School. There were some other jobs at Dartmouth that were open and there were feelers going to me about whether I would be interested in them.

John Meck was known to me because I had worked for him as a Tuck student in the second year. I had gotten the bright idea that I would like to do something outside the curriculum and I got the faculty's approval under the supervision of a senior accounting professor to do what amounted to the first independent study, I believe, at Tuck School to get course credit for it. And so, by then, I was very interested in investments and I had known John Meck because he was a member, as an undergraduate of the senior society--Casque and Gauntlet--and they would have a few functions each year when the alumni would join with the current members, the undergraduates. And I would get to know him and talk with him and he would always come. So, we were friendly, you know, across a couple of decades. So I went to feel him out about doing a special project. I was hoping he would sort of give me two or three stocks held in the endowment or bonds and a question of "Should we add to our holdings? Should we sell these holdings?" I was hoping to get some real life security analysis and, instead, he asked me to...it turns out that Dartmouth is the majority stockholder of the Hanover Waterworks Company, a local water utility and the Town is the minority. Fifty-three, forty-seven...roughly...in percentages...and one of his many responsibilities was overseeing the Water Works. It had been too many years without a rate increase and he needed to have some methodical authoritative kind of study to support a rate increase. So I got that really kind of backyard, back alley, job to do as my independent study. [Laughter] But I got to know him very well in my second Tuck year as a result of that.

Later on, when we started the investment firm, naturally, we tried to get as much business as we could from institutions where we had friends and we got stock brokerage business, right from the beginning, from Dartmouth College, thanks to John Meck. It helped that he knew me and one of my partner's father-in-law was a prominent alumnus who became a trustee, as I told you. Mr. Buchanan. For our era and everything, we were quite visible to Hanover, though we were a long ways away.

But he was very supportive and so I remember when I heard he was going to retire, I came up and saw him in his office and said,

"What do you think about my applying?" It was quite clear; I don't think he had thought about it. Although, as soon as I came to town, he made me a director of Dartmouth National Bank, which was a great feather in my cap. Here is a guy from out-of-state, who just parachutes in and, you know, there were plenty of people in town who would like to be a bank director. It is a very interesting activity. All of a sudden, I was made a director of Dartmouth National Bank in my first year here and that was thanks to John Meck. I don't think he really thought about my being his successor, but he was a very quick study and he said right away, "Well, certainly you are free to apply if you want to." And he said, "Frankly, as I think about it, I have no doubt but that you will be a finalist for the job."

So I did apply and it turned out that they had an all-trustee search committee and he had been asked by the trustees to run the search. It really wouldn't be done that way today, but they had a big number of applications...I think four hundred and some odd. And I was lucky when I interviewed. It went very well in Boston and I was selected by the fall of 1976 and I worked that year '76-'77 as a transition, partly in Parkhurst, partly in Tuck School. And then he retired like June 30 of '77, and I was elected Vice President, effective July 1, '77.

In the meantime, during that transition, we were dramatically overhauling the way Dartmouth ran its endowment and that was the key to the superior performance that we enjoyed. We had, at that time, an extraordinarily gifted handful of individuals who served on the investment committee and that would have been Walter Burke ['44], Bill Morton ['32], [Norman E. "Sandy" McCulloch, Jr. '50], Richard D. Lombard ['53]--my former partner. Later on, Robert P. Henderson ['53] joined them in the eighties and there were other trustees, you know, who came in there, but they played lesser roles than that particular group. And Richard D. Hill ['41]... I should have mentioned him right in the beginning, former head of The First National Bank of Boston, but Lombard, Morton, Hill and Burke were all chairman of the Investment Committee for roughly two or three years each while I was the Financial Vice President. I worked with them when they were chairman on a day-to-day basis and I worked with Bruce Dresner. He was the investment officer...an outstanding individual and a prodigious worker. We just really were very fortunate to be there during that period and we, cumulatively, made some very good decisions. That's a very long story of how I got from Tuck School to Parkhurst.

CARROLL: I like that. One of the things...this is just a small point. When Meck had the job, was he called Vice President for Investments and Treasurer of the College?

PAGANUCCI: No. His title for much of the time, like from '49 to the mid-50's, was Treasurer of the College. Dartmouth, at that point, had no vice presidents. Then they brought in another man who was supposed to do development work but, I don't know, it never got going particularly, who was a very talented man and he was given the title Vice President. So, John Meck, to keep things in equilibrium, was made Vice President and Treasurer.

I had several different titles. The title I retired with and am now as an emeriti is Vice President and Treasurer Emeritus. However, when I was first elected, I was Vice President for Investment and Legal Affairs. And I had that title for two or three years. At least, those are the areas that I oversaw. Then, I became Vice President for Finance and Administration. That was the broadest job, but it turned out with headaches in areas like the Hanover Inn under me. I really disliked it. I asked to be relieved of the Hanover Inn and that sort of stuff. So I think my last title was Vice President and Treasurer for several years.

There was another man, during much of my time, who had the title Treasurer. His name was William P. Davis and, when Kemeny was President, he didn't work for me, although I worked very closely with him. We had offices in the same area. But then, when McLaughlin came in, he reported to me, the Treasurer. He was primarily in charge of the budget and then, after he retired like in '83 or '84, I became Treasurer as well as Vice President.

CARROLL: Could you do a rundown on the kind of responsibilities that you had in this changing role, the Vice Presidential role?

PAGANUCCI: First of all, the duties that I always enjoyed the most and felt that I was best professionally suited for was the oversight of the endowment investments, deciding how the assets should be allocated and making recommendations to the Trustees, the Investment Committee. And also deciding what kinds of things Dartmouth should invest in, what managers we should use and these are all subject to the approval of the Investment Committee. But that was first and foremost my love.

Because I had a legal background and John Meck had always overseen the legal affairs of the College, and he had a legal background, I inherited the legal office and that was very, I think, beneficial for all of us who worked together. We had an extremely joyous collaboration. A small team, which I think enabled so much to be accomplished in a certain period of time.

And, while Kemeny was President, I kept getting more and more things to do. I had a lot of responsibility in the development area, which has nothing to do with any job description. But, because I had known some of the Trustees for a long time and if they had a certain, very big prospect, they would ask me to get involved instead of some of the line development officers. Traditionally, Meck had done that, so there was precedent for it. And I enjoyed doing it. I was very involved at Tuck School and at Parkhurst with development activities, both under Kemeny and under McLaughlin.

When McLaughlin came in, he gave me much more to do. He and I had known each other since I was a sophomore and he was a freshman. We lived in the same dormitory⁸ and we both had a wonderful relationship. He, essentially, gave all the business affairs over to me, and what all that involved. And the auxiliary activities which were real estate, dormitories, dining halls, Hanover Inn, the golf course, skiway, whatever else have you. Then I took on this loan corporation. It started in 1981-82. He also then assigned to me all oversight for the budget and all financial aspects of Dartmouth.

I found, after a couple years of that, that the urgent things like a pipe breaking in the Hanover Inn in some Trustee's wife's bedroom or something, was crowding out what was the important stuff like deciding whether we put money with a certain venture capital firm or not, which we pioneered with three or four other schools in the seventies. And that has been one reason for the enormous success of the Dartmouth endowment since the late seventies. Walter Burke was the founding father trustee for all of that because his activities go back to Sherman Fairchild in the '60's and there was a great linkage going on here. We were doing a little bit on Wall Street in the '60's, but... I lost the thought. I'm sorry.

CARROLL: You were talking about your responsibilities.

⁸ Both were housed in Gile Hall.

PAGANUCCI: Yeah. So I asked Dave McLaughlin to relieve me of those auxiliary activities--dormitories, dining halls, Hanover Inn, blah, blah, blah. He agreed to do it. I said that it was much more important that I work on the investments and we really, you know, keep some of these developments going that we had in the fire and I recommended that he assign those things to the Provost [Agnar Pytte]. He was a very talented man, but the Provost here is always under-utilized because the Dean of the Faculty is such an important job. To my utter amazement, he took them on himself. [Laughter]

CARROLL: Really? No! Well, that's wonderful!

PAGANUCCI: Until I left, the last year or two, he had the Business Manager reporting to him. Those things all came up through the Business Manager, who, himself, was an able man who probably never needed to disturb his boss with anything, but he liked to have the boss bless what he did. I suspect when the President took them on, he acted more independently than when he was working for me. Dave McLaughlin--there was no end to his energy, you know, and his willingness to do anything.

CARROLL: And, unlike Kemeny, I gather an early riser to the office.

PAGANUCCI: Oh. In a sense, they were black and white to compare them. I love to talk about the differences because they are 180 degrees from each other. Dave McLaughlin was his happiest when his day started at a 6:30 a.m. breakfast meeting. For years, when he was Chairman of the Trustees, I would be in the office maybe at 8:30. My phone would ring and he would be calling from his office in Minneapolis and his secretary would be in there. He had been in for an hour and a half and he finally thought it would be okay to call... It would be 7:30 out there!... But he loved breakfast meetings and Kemeny would refuse to go to them. I refused, eventually, to go before 7:30. I said, "Dave, if you want to start them at 7:00, you go ahead. I will come at 7:30. Someone will brief me as to what happened." We got along fine.

CARROLL: How was it when McLaughlin was Chairman of the Board of Trustees and Kemeny was President? This seems to be like, only in terms of bio-rhythms, a kind of...

PAGANUCCI: Well, they got along very well with each other. David McLaughlin was a superb young Chairman of the Trustees. He had a tremendous energy level and he made it really the highest priority in

his life. After a Trustees' meeting...there is always so much happening when they meet just three or four times a year and many decisions to be made...there would be ten to twenty-five of us that would get personal hand-written thank-you notes for the great job that we had done in doing this and that memo, or this and that presentation, or this and that chart, or something for the Trustees. He just had that boundless energy. He slept very little compared to normal people. I think John Kemeny was normal in that regard. He probably slept in all six, seven hours a night, like most people do. But Dave McLaughlin could go on four or five hours for indefinite periods of time.

CARROLL: I want to back up just a bit. You mentioned the endowment and certainly, under your leadership and that of Walter Burke and others, the endowment really tripled in an amazingly short time. Could you talk a little bit about how that was done?

PAGANUCCI: It was done through a combination of planning and good luck and really great leadership from the Trustees. The Trustee Investment chairmen were extremely sophisticated and, in order, they were Dick Lombard '53, Richard Hill '41, Bill Morton '32, Walter Burke '44, and, at the very end for me, Bob Henderson '53, who was another classmate of mine. They were extremely knowledgeable in the area of investments and, at a time when John Kemeny, who had been badly burned by a big stock market decline early in his Presidency, in the first few months in fact, and that financially constrained his Presidency throughout the whole eleven years he was in office--the fact that he had an under-performing endowment through no fault of his or the leadership at that time, but much of this was macro. Because he had such disappointing returns from stocks and you could get pretty high yields from bonds in the seventies due to high interest rates, at several different times, John Kemeny had to be discouraged from advocating putting all the endowment into bonds.

[End of Tape 2, Side A -- Beginning of Tape 2, Side B]

CARROLL: You became a member of the Kemeny Administration. I would like someone to go on record...and I think you would be a fine example...to talk about how the administration was set up under Kemeny.

PAGANUCCI: During John Dickey's era, to set the stage, the administration was quite simple. There was, I believe, no more than two vice presidents; one being John Meck, who was the chief financial officer, and the other being the person who was Vice President for Development, who was first Orton Hicks, I believe, who came here in 1959. He was succeeded at some point in the sixties by George Colton, a member of the Class of '35--a very gifted and high quality, ethical, great representative of Dartmouth as an individual. Then he was succeeded in time by Addison "Ad" Winship '43.

But, during the period when Kemeny became President and I think... I can't remember what year George Colton became Vice President. I'm trying to...but the number of senior deans or vice presidential offices proliferated and I think there were two or three reasons for that. One, the obvious one, you mentioned her name earlier, was that, as the women came in as students, in order to show that they had full standing in the community and not in any kind of second-class arrangement, a former Wellesley President, Ruth Adams, was made a Vice President of Dartmouth in charge of women's activities. The exact title would be . . .

CARROLL: Women's Affairs. I always liked that title.

PAGANUCCI: Well, I can't quite believe they used that but, in any event, she was a very impressive, wise, competent individual and she had a great chemistry with John Kemeny. They were very mutually supportive and had a very good relationship. A second younger but important person was made Associate Dean of Dartmouth, Marilyn Baldwin [Austin] and she was an important individual. So, this part of the Kemeny Administration, particularly those two individuals and others in the area of, you know, counseling, coaches and so on, were generated by the move to a co-ed student body.

He had a consulting firm study the Dartmouth administration early in his presidency. It was the firm of Cresap, McCormick and Paget. It was then a subsidiary of City Bank. It has kind of disappeared since that time; but they recommended that various functions be set up and I think that perhaps he wanted to sort of divide the power a little more than it had been distributed under President Dickey. Therefore, the Vice President for Administration was set up and many of the duties that, under Dickey, John Meck had been assigned were given to this new Vice President for Administration. And the Treasurer's job was separated. Meck became Vice President and Chairman of the Investment Committee. You had an

officer as chairman of the Trustees' Investment Committee, which really showed, you know, the veneration that he enjoyed in the community; but, the title Treasurer was assigned to Bill Davis, a man I mentioned a while ago who was really put in charge of the budget of the College. So Meck remained responsible for the investments and legal affairs, the initial job I went into, and other vice presidential level jobs appeared namely for administration. Bill Davis was considered the same level at that stage in the early Kemeny Administration.

There was also a Vice President for Student Affairs. That job, which had been...previously the highest job had been the Dean of the College in which Carroll Brewster had occupied the position when Dickey retired as being a young appointee of Dickey...his last major one...then, Ralph Manuel ['58] and, in the meantime, a Vice President who I think first was Don [Donald] Kreider and then Frank [Franklin] Smallwood ['51]...or possibly in reverse order...but, in any event, there was much more bureaucracy and hierarchy that developed. I think some of this may have been because he had a very authoritative firm recommending more elaborate structure because Dartmouth had grown a lot and was adding, you know, expanding a lot during this period with students. And also because of the desire to defuse what had been perhaps an over-concentration of power.

John Kemeny had been advised, and it was part of my getting used to working for him, to meet periodically with those reporting to him. About once a month, his secretary would call me or just walk into my office because I was only a few feet away in the second floor of Parkhurst and say, "You have the President's appointments on the following days. Are these okay with you or do you want to change them at all." So I would be set up to spend a half-hour to an hour with him like maybe every other week, maybe every week. I would have to check the calendars to be sure. But I was never used to having an appointment with someone that I didn't know that I needed. [Laughter] But someone had told him that, if you've got people reporting to you, you should give them access, which he did scrupulously, and you should give them plenty of time to get off their minds or consult with you or whatever they had to do.

Actually, I found that I enjoyed it. I kept these appointments religiously as you might expect and he was always very relaxed for them. We would usually sit in facing easy chairs and he would often ruminate about, you know, various things that weren't of

immediate concern to me in my job, but it was a way of getting to know him and I enjoyed it very much. Although, in the environments that I had come from, which were, I hope, very productive and kind of stressful, you would never set aside an hour for 15 minutes worth of meeting. You see what I mean?

CARROLL: Yes. I do. [Laughter]

PAGANUCCI: But he scrupulously would do that and it worked very well.

CARROLL: Now I have heard that he and... I heard that most of his appointments, he worked with very well; but I heard that he and Carroll Brewster did not work very well together. I have heard that from several sources and I was wondering, did you have that same impression?

PAGANUCCI: Well, I never was present personally for any kind of difficulties or strains in meetings between them because I was working at Tuck School at that time. It's not incredulous that that was the case, though, because it was a key job in the relationship of the College to the student body. The whole liaison arrangement and it's very difficult for one president who has his agenda to inherit key appointees from others, I mean, unless the key appointees are incredibly adaptable, they have difficulty with the new President and I suspect that might have been the case here.

I have also heard it reported though, again, it's hearsay, I can't personally testify, but to the extent that there was high level resistance to bringing in women, I think...we'll put it this way...the hearsay that reached me was that Dean Brewster was considerably less enthused about women coming to Dartmouth than other high level administrators were and so, if that were the case, that would be a built-in major tension between them. I am sure he (Kemeny) knew, prior to his...you know, before he became President, I am sure he knew that Dartmouth had to become coeducational.

CARROLL: He had been part of the committee that studied the possibility of coeducation.

PAGANUCCI: I believe that. Yes. Because he certainly was an expert on it by the time he became President.

CARROLL: With all of this new hierarchy that was built in, were there any glitches in trying to make it work, or did it all work itself out?

PAGANUCCI: I think that there were numerous glitches. In an institution that has as much momentum, as much good will going for it as Dartmouth, it can overcome great amounts of glitches just with its inherent momentum, and that tended to be the case. But, particularly in the area of having a separate Vice President for Administration and then, because a lot of difficult decisions were being made in a high inflation period about capping the budget or slowing the rates of increase in the budget, a very bureaucratic committee called the Committee on Administration was set up which was the various vice presidents and deans. They had to kind of approve everything and I think every single member, except the Chairman who was that new Vice President, bitterly resented having to spend half a day a week on what seemed like nonsensical work which any one good common-sense instilled czar could have fulfilled, you see.

CARROLL: Was that the C.O.P. [Committee on Organization and Policy] then?

PAGANUCCI: No. That is different. This was called the C.O.A. [Committee on Administration] and, luckily, it disappeared about the time McLaughlin came in. Another thing that is a sensitive thing, but a difference between the two Presidents I worked for was that John Kemeny was, I feel, inherently a very gentle man and one who had developed in the collegiality of a faculty. Even though he was the leader of perhaps the best department, the math department...he was always the leader where ever he was, but he still enjoyed a kind of partnership arrangement. If there was someone in the administration who was performing inadequately, in an unsatisfactory way, he was traditionally unwilling to make the severe decision to transfer or terminate or whatever.

So a sad aspect of it all is that when McLaughlin came in, he inherited quite a number of officers who were redundant or who were not doing Dartmouth much good. So he had to kind of make organizational changes in weeding out, disproportionately to what a normal new president would do. Because he brought in the sort of C.E.O. toughness of "You'd be better off working somewhere else. We are doing you a big favor." I am being a little facetious, but, you know. But he had to initially in the first year or two do a lot of "reorganizing", to use a euphemism.

CARROLL: I have a dear friend, my roommate from college, is a human resources person. She calls that outplacing.

PAGANUCCI: Yeah. Sure.

CARROLL: This brings up a question about Kemeny's style. You are basically saying that he had trouble bringing the bad news to someone, that they were doing a less than adequate job. To whom did that fall then during his time as President?

PAGANUCCI: Well, in my opinion, it didn't fall clearly on anybody and situations were allowed to kind of coast along as opposed to having a decisive decision or determination.

CARROLL: Do you feel comfortable telling kind of an illustrative story to show us what that was like?

PAGANUCCI: The people I am referring to in most cases are still living or their widows are in town and so forth. I am a little reluctant to name names.

CARROLL: Okay. That's fine.

PAGANUCCI: There are a lot people who know the names...

CARROLL: When it comes to Kemeny and fundraising...

PAGANUCCI: Yes.

CARROLL: ...what was his major task in fundraising?

PAGANUCCI: Well, because of the bad performance of both equity and bond markets early in his presidency, he bumped into financial constraints that were unanticipated when he became President and which vexed him really throughout his eleven years. To offset that, I think he realized that finding new sources of funds was one of the ways he could accomplish some of the things that he really wanted to do, but there wasn't enough utilizable income coming off the endowment. So he worked very hard and I think very creatively at fundraising and he was very good at making very major donor prospects feel wonderful about Dartmouth and I have jotted down a

few of what I thought were his outstanding development achievements.

First of all, it was getting launched and bringing to a very healthy level the third Dartmouth Capital Campaign, which began in 1977-78, with a nucleus fund. It ended in 1982. Its goal was 160 million. It finally produced about two hundred and five million. The goal was raised from 160 million to 185 million...something like...similar to the one that is winding up now but at lower levels. He worked like a Trojan on that and he would understandably think that was one of his great accomplishments.

During that period, with the help of one of his classmates, Charles Zimmerman '23, Dartmouth received one of the biggest gifts ever from Robert Maxwell '23. Charlie Zimmerman and Bob Maxwell liked John Kemeny and, at the key times, John Kemeny certainly helped to get that gift brought to fruition. Bob Maxwell was a lifetime bachelor who loved the stock market. Early in his career, he was the treasurer of the Greyhound Corporation based in Chicago; but, after some investment successes, he went to just occupying a desk in the investment brokerage office of another firm, Blunt, Ellis and Simmons. It had been started by a group of Dartmouth people in Chicago in perhaps the '40's and, for years, he would just go to his desk in that office and he made a substantial fortune. The great coup of that is that Bob Maxwell voluntarily stepped up when he was perhaps 75 years old or something like that and said "I have got..." I don't know the total wealth he had, but I'd say that he gave two-thirds or more of it while he was still living to Dartmouth, instead of keeping it all until he died. He had a Dartmouth lawyer named Rip Streeter, who met numerous times with Kemeny and me and others, and he was very, very effective there.

The second, I think, very major achievement in fundraising was the Montgomery Endowment. The Montgomery House and so forth...and early on, Ed [Edward] Lathem ['51], who had been by then many years a friend of the Montgomerys...he's a quietly charismatic person in his own right...very intelligent and gifted and devoted to Dartmouth. It is my understanding that President Dickey and Ken [Kenneth] Montgomery ['25] never hit it off very well and that, when Kemeny came in, Montgomery was very ripe to have a President he liked and he did like John Kemeny. So Ed Lathem and Leonard Rieser got me involved early on. Also, because he

gave unusual assets, which were fractional interests in West Texas oil fields.

CARROLL: I didn't know that. How did that work?

PAGANUCCI: Well, how it worked was that...this is a complicated story. Kenneth Montgomery had inherited very substantial properties from an aunt-in-law. The mathematical probabilities of this would be millions to one, but he had an aunt who was the second wife of a man named C. W. Post. C. W. Post began the famous cereal company in Battle Creek, Michigan, which then and now were rivals to Kellogg's. Post is now part of Phillip Morris, several mergers later, but back in pre-World War I, C. W. Post divorced his first wife, who was the mother of Marjorie Merriweather [Post], whom you may have heard of, and married his secretary. They had no children. He had the one child by the first marriage.

When he died, at his own hand, he had bought thousands of acres of "worthless" West Texas land for nominal amounts per acre. His idea was that he would seed the clouds to make it rain and the land would bear crops to raise cereal and get settlers from the Midwest to go down there. Well, the cloud-seeding experiments were not successful and the land was fallow for many, many years after his death. His estate couldn't sell it and then, all of a sudden, they began finding oil all over the place down there. So they became very valuable oil properties.

The young widow went to tour her inherited empire. He left half his wealth to his daughter and half to his widow. [Laughter] She visited what has been described as something like the Hanover Inn of Battle Creek, Michigan, which C. W. Post had owned as a health resort because they ran a clinic there for health foods, like the Kelloggs did. And the manager of that hotel was a dynamic younger man named Montgomery.

She wound up getting romantically involved with him and they got married. I don't know what the interval was there, but this was an uncle of Ken '25 who died last January, and he [Ken] was living in poverty...a large family of children, with his parents in Apalachicola, Florida. The new aunt with the uncle came to visit the family. They were introducing them and they discovered that, in that family, there was this very bright, attractive young man and she decided he should get educated. And she sent him to a couple of prep schools in the Midwest to groom him and then he came to Dartmouth. I was

very close to him, though nowhere near as close as Ed, and to Harle but I always keep that little picture of them in the second tier there.

CARROLL: That is the painting that is in [the Montgomery House at Dartmouth].

PAGANUCCI: That's a photo of the painting that they used in their Christmas card one year. He wanted to be a lawyer after Dartmouth, but she (his aunt) thought he should go to work and get a job. She wanted him to go to work in what was then a glamorous company of the '20's...Woolworth's! He loved to tell the story. He borrowed the money to go to Harvard Law School because his aunt wouldn't send him to law school. He became a lawyer and eventually became her lawyer and, believe it or not, he outlived the uncle and he outlived a couple of nieces that she had. And so she wound up leaving her fortune, which was equal to Marjorie Merriweather Post's; half to one niece who did survive, who lived in Santa Barbara, and half to Ken. So Ken inherited half the money...half the oil assets that Marjorie Merriweather Post had.

And, when he decided to make this gift to Dartmouth, the oil boom was approaching it's second peak in the '70's and he deeded to Dartmouth a fractional interest in...it's in one of these annual reports... forty some odd wells on five or six different properties in West Texas. A year later, he did the same thing. Each of those gifts were valued at about seven hundred thousand dollars, so it was only like a million four, a million five at the time. They were estimated to have a ten-year life. That was nineteen years ago and they are still producing income and there were certain years that they produced nearly half as much as the appraised value. So, it is now an endowment of...in all the various funds, counting scholarship funds that have been split off... Lyn Hutton would have to tell you the exact figures that came out...but my rough guess would be about eight million dollars.

And John Kemeny was very successful in working with Harle and Ken, and they really liked him and they did a lot of things together. Ken donated the oil portrait of John Kemeny, which is his official presidential portrait in his Princeton robes with the math calculations on the blackboard. And, at the dedication of that, it was one of the great development strokes of genius that I have ever seen right under my eyes...there were probably twenty of us at a dinner at the President's house. Kemeny stood up and the artist was there and various other people involved and he announced

that, because Dartmouth was so proud of the present that Ken--so proud of the painting that Ken had commissioned for Dartmouth, Dartmouth College, through him, was going to commission the same artist right there (they had talked with him before the dinner) to paint a painting of the Montgomerys to belong to Dartmouth to hang in Montgomery House. Well, kaboom, you know what I mean? [Laughter] I mean, they just went up in orbit, they were so happy and that's the painting here.

CARROLL: It's a beautiful painting. I've seen this at Montgomery House.

PAGANUCCI: Yeah. And it means a great deal to them. He did other things that were worth noting. One was the whole saving of the Medical School, which, again, is a separate subject, and it is big and it is not the right time of day... A third one was the Nelson A. Rockefeller Center. That was kind of created out of thin air, with some help from a Tuck overseer when Rodman, Nelson's oldest child, was on the Tuck Board and I was perhaps an intermediary there between John Kemeny and the Tuck overseers, but...

CARROLL: Who did you have to approach to have the Rockefeller Center endowed?

PAGANUCCI: Well, it was the Rockefeller Family, but really the true head of that was Laurance, who was the brother closest to Nelson, most admiring, next to him in age, and he made the biggest single gift. I would say that he gave roughly what the rest of the family gave combined for the Rockefeller Center. But that was a real major, major thing. [Text deleted to protect individual's privacy] Andy [Andrew] Sigler ['53, TU '56], was the Tuck overseer who came to me after talking to Rodman and said, "You guys better come up with a different plan. He's thinking much bigger than an endowed chair and everything." The Rockefeller Center resulted!

Other major things that Kemeny successfully did were the [Sherman] Fairchild Science Center, fundraising with the Sherman Fairchild Foundation, developed with Walter Burke '44, who is the President of the Foundation a very important gift. And it was not just the Science Center and the additions to it which, a generation later developed into the Burke Laboratory, but there were also two or three endowed chairs set up at that time. One of which in Arts and Sciences, Agnar Pytte had, Leonard Rieser had...another is at Thayer School. They are both Sherman Fairchild professorships.

A further major success of Kemeny's administration was the Hood bequest happened late in Kemeny's Presidency. The Hood Museum, which was dedicated during McLaughlin's. It was sort of like what we were talking about with the Murdough Center. These big projects and all, but that would be a jewel of the Kemeny, late Kemeny era and would fall perhaps into McLaughlin as far as the dedication chronology goes.

A third thing happened that Kemeny encouraged me to do and I was instrumental in. John Meck had been Trustee with a local lawyer of a trust called the Clarence B. Little Trust that Dartmouth had been receiving the income from through the trustees since Mr. Little, who was in a class in the late 1800's [1881] and had gone from New Hampshire out to Minnesota and the Dakotas to make his fortune in banking and other things. He was a Dartmouth Trustee, came by train for the meetings from North Dakota to here.

Anyway, he left this trust and it was to go to Dartmouth when his last descendent expired and Kemeny encouraged me when we learned that there was just one, to go out and settle with the man.⁹ I had the joy of going to Fargo, North Dakota, in January and... [Laughter] ...it was about twenty-nine below when the plane arrived. Nevertheless, the man was very amiable because we sweetened his stipend a little bit and he took the credit of Dartmouth and \$12.2 million was put in the endowment. Until this gift just announced of the [Lancing] Moore ['39], the Moore bequest, it was the largest addition to endowment. In fact, it is a question of whether it goes in plant or in endowment, but [John] Berry ['44] also would have broken that record. I think Clarence B. Little would still be third at \$12.2 million. That was counted in the two hundred and five or six million of the Campaign for Dartmouth...that drive was called. Right? That was the third capital campaign.

And the fourth thing I wrote down, and maybe I am beyond counting now...it's not important...but Kemeny encouraged that settlement which didn't cost us much at all. You know, he had good common sense, good judgment. Then he encouraged me in something else that everybody thought was absolutely crazy at the time, but it was the purchase of the two thousand and six acres of land in Lebanon, which was done right at the very end of Kemeny's Administration. I think we took title to it in March or April of 1981 and Dave

⁹ I (Paul D. Paganucci) became a successor Co-Trustee of the Clarence B. Little trust upon the death of John F. Meck in March 1978.

McLaughlin became President that summer in July, perhaps. June or July.

In any event, this land had been assembled by a local man who had inherited quite a bit of money from his successful father and his father had owned some of these tracts. And he thought about building a community in this two thousand six acres, which is half or so of the land between White River Junction, the City of Lebanon and Hanover. That could have been another community the size of about White River or Lebanon. It was very big and it would have had profound effects, in my opinion negative effects, on this whole area. It was first offered when those interest rates we talked about went up in the late seventies to twenty-one percent. The man who tried to develop it was trapped by those high interest rates and in 1980-1981. In, let's say, 1977 or '78, he decided to try and sell this at a great profit and it was offered to Dartmouth for around six and a half million!

[End of Tape 2, Side B -- Beginning of Tape 3, Side A]

CARROLL: He offered it, you said to...

PAGANUCCI: To a local company which has since moved out of town--AMCA International--but it was making a great splash here in the seventies and early eighties. It was the U. S. subsidiary of a major Canadian company called Dominion Bridge and AMCA was looking for a big tract to have a campus-style corporate headquarters on. And it, fortunately, was being hit by a few problems of it's own at that same time due to the high interest rates and those rates caused the price of the land to decline rapidly and, yet, I think the owner felt compelled to sell. And so early in 1981, he called me. I knew him. In fact, he was my next door neighbor in Hanover. A strange coincidence, but he called and let it be known that it could be bought for a much more reasonable price. We wound up buying it from him for \$1.5 million dollars...all cash...which was less than twenty-five percent of the original offered amount and it was almost... I mean, when you first mention this, when Dartmouth has maybe two, three hundred acres here in Hanover, with the whole College on it...two thousand acres in Lebanon at \$750 an acre, it seemed like, you know, that purchase of Alaska seemed to the United States at some point. Yet, in my opinion, it will turn out to be

as wise and it was the move that permitted the whole chain of events that we will get into about moving the Hospital and the Medical Center and basically regaining Hanover for the undergraduate college. So that's a good point to stop.

END OF INTERVIEW

INTERVIEW: Paul D. Paganucci '53, TU '54

INTERVIEWED BY: Jane Carroll

PLACE: Ledyard National Bank
Hanover, New Hampshire

DATE: November 4, 1996

CARROLL: Today is November 4, 1996, and I am speaking once again with Paul D. Paganucci. When we were speaking last time, you spoke about the purchase of the land in Lebanon, where the Hospital eventually moved. And now I would like to backtrack a little bit and talk about the Hospital, itself, and its finances and what prompted the need for the move, if you could. At one point during his presidency, President Kemeny really committed once again to the Hospital at a time when there was a questions as to whether the Medical School should be continued or not. Were you around for that decision?

PAGANUCCI: Yes. I was. The Medical School had been forced, due to financial pressures, to consume [endowment for] supporting its operation a good deal of its unrestricted endowment during the 1970's. It was running out of resources and, during the year that I was sort of in waiting to become the Vice President (I had been selected, but I was working for my predecessor who was working out his last year), there were secret studies of which the Trustees and the President were aware about what it would cost to keep the Medical School going versus what it would cost to close it, which would have been a great setback for Dartmouth.

There was little sentiment to close it, but the undergraduate college and its budget was also under tremendous pressure and it was almost...the mentality was somewhat like what you would call on the battlefield, a triage decision-making of what might regretfully not

be saved in order to save the major portion of a body in a viable way.

The Medical School was not financed in the same way that many others were due to historical reasons and the way that it had grown. And the way that, for most of its history in this century, it had only been a two-year medical school sending the graduates on for their clinical training in other usually larger, more metropolitan medical schools. The service entities, namely the Mary Hitchcock Hospital and Hitchcock Clinic, were not contributing after Dartmouth became a four-year medical school the way, as it turns out, that the service entities of hospitals and practitioners that were part of an academic medical center in other places were contributing, and that was aggravating the problem.

All of the 100 plus or so medical schools in the United States had been, during the seventies, beginning to undergo budget constraints when the [President Richard M.] Nixon Administration began cutting back from the largess that had been enjoyed in the form of federal grants during the sixties. So, that hit all medical schools negatively and, here, there was not the support from the other two sort of legs on the chair that most medical schools got. Only by making progress in getting support from the Clinic and the Hospital and some heroic fundraising, led by Trustee William H. Morton, was it possible for the Medical School to be preserved.

CARROLL: Did they have their own endowment?

PAGANUCCI: Yes, they did. In this endowment history table that I am going to give to you to perhaps attach to these minutes, there is shown in some of the transfer columns, from Column 13 to Column 19 [Appendix A], amounts that had been either going in or coming out and, you will see... I gave you the column numbers wrong. I am sorry. Under Column 10, you will see amounts utilized, and this is not the income, this is the principal of endowment that the Medical School had to consume. The amounts that it needed to keep going peaked in fiscal years '74 and '75 when they used a million three hundred sixty-five thousand and the following year, a million three hundred ninety-five thousand that then descended quite rapidly, thanks to the fundraising taking hold. Then, in the early '80's, around the time Mr. McLaughlin became President, significant assistance was obtained from the other two entities to support medical education and the crisis was survived.

The market value of the Medical School endowment separately is not shown on this statement, but there was very little unrestricted endowment left at the time the service entities agreed, through some tough negotiations, to render part of their revenues in support of medical education. If they hadn't have done that, I don't know where the Medical School would be today.

CARROLL: As I understand it, there are three components that are relatively independent. There is the Medical School. There is what was then the Mary Hitchcock Memorial Hospital and the Norris Cotton Cancer Center. Did they have separate endowments or did they fundraise together? Or where they separate?

PAGANUCCI: Well, it is much more complicated than that, unfortunately. The second and third entities, I would say are Dartmouth College/Dartmouth Medical School, and the Hitchcock Clinic. The Norris Cotton Cancer Center may or may not be separately incorporated today. It was not when I was the College's Financial Vice President. It was really part of the Mary Hitchcock Hospital. They may have a separate director, a separate Board of Advisors or whatever, and they may do some fundraising on their own because of the powerful, emotional appeal, but I think it is one entity just like Tuck School, Thayer School, the Med School are part of Dartmouth College in the legal sense. The Mary Hitchcock Hospital, since founding, has been a charity, independent of Dartmouth. The Medical School has been like a division of Dartmouth, not separately incorporated, and the Hitchcock Clinic, up through the time that I was at Dartmouth, was a for-profit corporation. It wasn't a charity.

The reason was, back in it's history in the twenties, I think, or thirties, a partnership couldn't have a profit-sharing plan or a pension plan, so they incorporated in order to get one. That reason haunted them later when they could not solicit or get gifts. They set up a separate foundation. When I left Dartmouth, they were in evolution. They had formed a tax-free entity and they were planning to evolve from one to the other [Dartmouth Hitchcock Medical Center] and I can't really brief you on that history, although I understand it has had it ups and downs. I hope that by today they are completely in a tax-exempt entity. As you know, they have merged with the Lahey Clinic and I would think they would have to do that in order to accomplish that, but I really don't want to speak beyond the end of 1985.

CARROLL: When did it become clear that the Hospital was going to need to expand?

PAGANUCCI: Well, the Hospital had more or less constantly expanded from the time it was started in the 1880's or '90's. However, the biggest expansion of all was when a decision was made under [Dartmouth Medical School] Dean Marsh Tenney in the sixties that Dartmouth, in order to keep any medical school, had to go from a two-year to a four-year medical school and educate significantly more students than they were at the time when the two-year school had only twenty-five or thirty graduates every year from the two-year classes.

The expansion to a four-year medical school required a large expansion of Mary Hitchcock Hospital because the number of teaching beds is critical to successfully educating the third and fourth year medical students in the so-called bedside teaching years. The Veteran's Hospital had several hundred beds, maybe two or three hundred at that time, in White River Junction. It was also brought into the Medical Center to provide more beds, meaning more cases that can be seen, more variety of illnesses and so forth, which the medical students very much need, accompanying the experienced practitioners on their so-called clinical rounds.

The expansion of the Medical School and of the Hospital in additional rooms led to more doctors being here. More doctors being here meant that they all had to be members of the Hitchcock Clinic to get an appointment in the Hospital. They also had to be appointed to the faculty of the Medical School and that meant many more specialists in town seeing out-patients, which meant a tremendous additional pressure on the northern end of town where these activities were located.

It was an incremental thing, but what brought it all to a head was a plan that surfaced for the first time in the late '70's or early 1980's where the Mary Hitchcock Hospital felt that, in order to stay competitive, they needed an up-grading and expansion and renovation in a very major way, which resulted in a proposal to spend an additional sixty-five million dollars in their existing facility on Maynard Street! Many of us at the College knew that, if that investment were made, it would be virtually impossible to ever change the location of anything. We didn't know what a new hospital would cost at that period, but we did know that sixty-five

million had to be a big percentage of almost any gross investment in an all-new hospital that you want to consider.

CARROLL: Had they raised the sixty-five million for that renovation or was that...

PAGANUCCI: They had not and they could not have. Most of it would have been borrowed through tax-exempt financing which was available through the State of New Hampshire and so forth. There would not have been a great deal of private fundraising, though there was a certain increment involved. They couldn't really launch the fundraising until they got a final plan approved and they were never able to get the final plan approved.

CARROLL: Why couldn't they get the plan approved?

PAGANUCCI: They worked extensively with the Town of Hanover and it was simply felt that it would be too much pressure on that particular end of town. I wasn't involved either representing them or on any of the Town decision boards, but the approval was never forthcoming despite a considerable amount of effort. I think it was felt that the additional pressure of traffic on the town would be to bring it to a level that the existing infrastructure could not support.

CARROLL: Who first raised the idea of moving the Hospital to the land that had been purchased in Lebanon?

PAGANUCCI: Well, I think it came from my office and either Cary Clark ['62]¹⁰ or I... we would spend a lot of our spare time kind of brainstorming ideas¹¹ and I think, between the two of us, we had this idea long before anyone else did. We had had...again, one has to step back a little bit... In the late '70's while John Kemeny was still President, the traffic pressures were more and more dramatic. You didn't

¹⁰ Mr. Clark was the College Council.

¹¹ Please see the attached copies of letters I wrote March 23, 1981 to David T. McLaughlin '54, just after he had been selected to be Dartmouth's 14th President; also see my letter of April 2, 1981 to Trustee and Investment Committee Chairman Richard D. Hill '41. [Appendix B] Both letters discuss moving the Mary Hitchcock Memorial Hospital and Hitchcock Clinic to the new lands south of Hanover or purchasing the old facilities (Maynard Street) from the Mary Hitchcock. Traffic density projections are also summarized in the March 23, 1981 letter to McLaughlin (emphasis added by underlining in 1997).

have to be a brain surgeon or a rocket scientist to see that the town was being overwhelmed by rush hour traffic. You could come out of the administration building in the late afternoon when the shifts were changing at the Hospital and doctors going off work and so forth and patients constantly leaving or visitors from the afternoon visit periods leaving, and there would be a line of cars from the Inn Corner going way up past Baker Library. And it would continue that way for the better part of, you know, half-hour to an hour.

To help alleviate some of this, since Dartmouth employees' cars and the employees of the other entities were involved and student cars and all others, the Dartmouth administration under Kemeny tried ballooned quite seriously a shuttle bus plan. Out of that shuttle plan, which is sort of similar to what you can see operating in a place like Vail, Colorado, which has a very constricted downtown with a huge influx of visitors at certain times of the year and it makes, you know, jitney-type runs on a fixed but frequent service schedule. The idea was that Dartmouth would develop satellite parking places in Norwich, near the ramp exits from Route 91 and in Lebanon near roughly where the present Medical Center entrances are and up on the Lyme Road near where the Dartmouth Printing Company is. These large satellite parking areas would be serviced by the jitney buses that would go around. There were some of us who felt that would, again, badly hurt the character of the core Dartmouth, which was undergraduate in its orientation.

CARROLL: When the initial idea was tossed around to move the Hospital, was the Medical School included in that move?

PAGANUCCI: The answer is "yes". I should step back a bit more about the jitney process and the traffic because, in order to kind of confirm what was happening and make some predictions for the future, after consulting with various sources, Dartmouth retained a traffic consulting firm and it was very interesting. The name of the firm was Barton-Aschman [Consulting Firm], if I remember it correctly. They did a report for us and they were real pros at trying to diagnose problems that you see growing under your nose like the smog in Los Angeles, where you don't really quite know what to do about it. These people did know what to do about it because they had great experience in dealing with other communities that had been overwhelmed by automobiles. They actually conducted counts at various times of day and night, with the help of various students and they traced license numbers and they saw where people were parking and so on and so on.

It was clear that the bulk of the traffic volume that was overwhelming the traditional Dartmouth was coming from either the Hitchcock Hospital with all of its employees and all of its visitors to patients and the patients themselves and the Hitchcock Clinic. If you figure, you know, a doctor had roughly six appointments a day and with five days a week or thirty round trips of multiplied patients per doctor per week and, project that on an annual basis by several hundred doctors, and you have an astronomical volume of automobiles! Barton-Ashman essentially gave an empirical confirmation to the root sources of the problem.

There was a second problem which was the Hospital was confined on a very limited number of acres, something like eleven acres in all, which was its total holding including space for parking. They had to build a high-rise garage in the late sixties or early seventies and their shortage of land led to persistent pressures to come south into the area that would have been south of Maynard Street and north of the street that is now closed that ran behind Baker Library. The name of that street I don't remember, but it is lined up with Fraternity Row, Webster Avenue [Elm Street]. That was causing stresses in the College, too, because that was the most logical direction in which Dartmouth could grow--partly because of Main Street being on the south, the steep hill to the west, and a lot of residential, intense residential areas, and more or less the same to the east where there is a lot of faculty housing. So it was both the traffic pressures and the pressures on land for finding the space.

That was kind of confirmed when the Occom Inn came up for sale, which is now the Native American students' house. I think Dartmouth, itself bid the appraised value for that house which was very high, and the Hitchcock Clinic, which hadn't been a player in the real estate sweepstakes, came in and offered an eye-popping sum over and above the appraised value, just so that they could get a little of the power that came with owning land in that area. And they did get a key piece, so that was part of the picture. Now, you asked if the Medical School was intended to move, and the answer is "yes".

CARROLL: Was there any discussion of what to do with the Dana Medical Library because it's the bio-medical library...

PAGANUCCI: Well, at the time, going now forward to the faculty votes in 1985, the general faculty, which is the undergraduate faculty plus all the

professional schools, voted in favor of basically the plan to move, though it may not have been called that in the vote. And the undergraduate faculty of Arts and Sciences, as I recall, did not vote to support that. They didn't overwhelmingly condemn it either, but they expressed great reservations that it would drain off resources that they felt the Arts and Sciences should not have to compete to get and, excuse me... I've lost the question.

CARROLL: I was asking you about the medical library...

PAGANUCCI: Yes. Okay. At that time, because some undergraduate departments, particularly, bio-chemistry, was sharing that library and some of the equipment, particularly the electron-microscopes, some powerful opposition from the undergraduate science departments, biologists, bio-chemists, and so forth, emerged opposing any move of the basic science component of the Medical School. The Dean of the Medical School and the physicians wanted the Medical School to move, and part of the plan that I think they thought they were voting on was to move the entire Medical School. As it turns out, the two clinical years naturally moved because they had to be where the hospital is, and the basic science years remained in the Vail and Remsen buildings which were relatively new at the time of this 1985 vote.

It seems to be working reasonably well. At least I haven't heard any vociferous complaints and, at the time this last campaign was mounted, you know, it was a notable omission from it to raise the additional money needed to move the Medical School. I remember discussing it with John Strohbehn, the Provost at that time, and he just basically gave me the impression and I don't mean to quote John on this, but the clear impression was "Well, it would be nice if we could do that, but we have other more urgent priorities. Therefore, the fifty million, or whatever the number was, needed to accomplish that is not going to be in this campaign." And it wasn't.

CARROLL: When the Arts and Sciences faculty were first presented with this proposal, you alluded to the fact that there was resistance on their part and I am wondering, how did the idea come about to actually take money from the College to buy the old buildings for twenty-five million? That seems to be one of the sticking points.

PAGANUCCI: Well, that actually came about in negotiations that were conducted principally between Mr. McLaughlin and me for Dartmouth and Jim [James] Varnum ['62], in particular, as the head of the Mary

Hitchcock Hospital and the chairman at that time, who I believe was Dean John Hennessey of the Tuck School. They had felt all along that they needed to get that money, which was roughly one-eighth of the cost of the new facility in a new location. They needed to get that plus free land in the new location, which Dartmouth did give them...initially, one hundred acres, which was increased to two hundred plus acres, to induce them to move.

As Dartmouth worked more and more on it's figures and the Hospital consultants reworked their feasibility studies after a serious critique from us of their...first initial studies that said that the Hospital couldn't economically carry off a move. I think a critical move was our getting their consultants to change their assumptions. After that fell in place, Dartmouth saw it's way clear to finance the twenty-five million dollar purchase. It really did not put pressure on any existing funds because the purchase came entirely from a sale of tax-exempt bonds.

CARROLL: That brings us to the second point of the protests during this presentation and that was that the faculty felt they had too little time to consider this option.

PAGANUCCI: Yes.

CARROLL: As I understand it, the tax-exempt bonds were only able to be offered for another six weeks.

PAGANUCCI: Not offered, but offerable. That's correct. This was extremely unusual in the timetable for such far-reaching decisions. The final awareness that the Hospital and Clinic were not going to be able to get the town's approval for the expansion on Maynard Street and Dewey Field dawned, I would say, in late summer, early fall of 1985. At the same time, we knew, because Dartmouth was getting a bit of experience in the prior three or four years offering tax-exempt bonds, that the Congress had passed a change in the tax law affecting these offerings, and that it would be legally impossible to make this offering to finance our purchase after year end.

But also, perhaps even more critically, [it would be impossible] for the Hospital to make it's offering to finance most of the new facility if it were not completed by December 31, 1985. So, usually a faculty would take fifteen years to do something this important and, in fact, various committees had been studying these whole questions of the future of the Medical Center and the roles of the various entities

and so forth, for years and years without making any really measurable progress. Then, all of a sudden, this mushrooming power of a fan came on and just blew everything ahead of it and it all got completed by the end of that year.

CARROLL: Were you surprised by the amount of resistance that you met by the Arts and Science faculty?

PAGANUCCI: No, not particularly, because faculties in general, not just here, but everywhere, are resistant and they adapt slowly to major, major change. They like to act in a rather glacial way and this was a case where there was just not that kind of opportunity if this was going to be completed, for that kind of a decision process to grind it's way laboriously forward. And I was not surprised.

CARROLL: Now, I am curious about the twenty-five million that the faculty put up the most protest about. How was that arranged so that it would not adversely affect the pool of money available to the Arts and Sciences?

PAGANUCCI: Well, at the faculty meeting one day, I think it was in early December or late November, 1985, I made a speech, trying to summarize the financial pros and cons of the whole arrangement and urging a favorable vote... I will get you a copy of the speech to append to these remarks. [Appendix C] It brings out in some detail the fact that, under that tax law until the end of the year, there was what would be called...what was called an arbitrage profit available. The exact numbers are in the speech, but a significant portion of the twenty-five million could be realized by Dartmouth before it had to be spent to pay the Hospital, and the differential between what you can earn on taxable bonds, which you are permitted to buy for a short period, and your interest costs on the tax-exempt bond is the arbitrage profit. You make a profit every year and it was several million dollars to go toward paying off that twenty-five.

CARROLL: Once the permission had been granted to move the Hospital, was it the Hospital who went around looking for architects and designs, or was this the Hospital in conjunction with Dartmouth College?

PAGANUCCI: Dartmouth's input in that original crisis stage was to promise to give the land site, which wound up being a little over ten percent of that 1981 purchase that Dartmouth had made. And the siting of the building and the financing of it through it's own free-standing charitable corporation and the design or potential architects, as far

as I know, was entirely done by the Hospital and it's trustees. You have to remember, by that time, those decisions were made, in some cases, a year or two or three later, after they had certain approvals from Lebanon which took time to work out...getting water to the site, paying for services to the site. There were some involved things to work out in Lebanon and I was back working in New York then, so I was no longer a player.

CARROLL: Has Dartmouth ever worked toward developing some of the rest of that land purchased in Lebanon?

PAGANUCCI: We ran sort of a pilot project because the Lebanon people were very anxious to get that land developed. They would like to get tax revenues from commercial buildings and so forth, and we bought a tract of land on the north side of Route 120, which was a precursor to the Centerra Project, which a man named [Bayne] Stevenson began two or three years later. Dartmouth built a little road into that thing, but we never did put any buildings on it or offer any subdivided lots for sale. As I recall, the land didn't test very well for filtration, the soil for septic tank reasons, and so forth, so that was all put on hold. We had the big tract before we bought that smaller one, which is now part of Centerra, which Dartmouth has wound up, many years later, owning one hundred percent of.

CARROLL: In fact, I was wondering, in general, when you were connected with Dartmouth, what sort of projects, commercial projects, did Dartmouth invest in and begin to develop?

PAGANUCCI: Well, Dartmouth...this is on an entirely different subject, you know.

CARROLL: Yes. This...you could...just sort of slide into that. Yes.

PAGANUCCI: Yes, because that is an exhaustive one. It's not one I should give you a fast answer to. Except for the Lebanon purchase, which was overwhelming in it's size, and this purchase of Rogers' Garage and successor's property and the surrounding land, Dartmouth didn't invest commercially in the...

[End of Tape 4, Side A -- Beginning of Tape 4, Side B]

PAGANUCCI: ... local establishment. We believed that we shouldn't compete with the local real estate owners and so forth to own income-producing properties. We did buy, during my administration, when Mr. McLaughlin was President, we bought a large home with about eight or nine acres behind it on Balch Street, North Balch Street. We got that field behind. It sent panic through the neighborhood! They tried to restrict it for the next foreseeable number of centuries. I don't know if it will be successful or not. Usually these things are worked out by friendly negotiations, as opposed to litigation.

We also added to the Second College Grant [in Coos County, New Hampshire], which is north of here some odd 150 miles. But that hadn't been added to since Dartmouth got it early in the nineteenth century and there is a long and involved story about that which you may or may not want to get into, but not right now anyway.

Going back to the siting of the Hospital, I felt that the Barton-Ashman Study in it's traffic conclusions was significantly dire and alarming so that I can remember having had dinner with Mr. McLaughlin, who was an old friend of mine, you know, from our undergraduate days, and [we were] very comfortable with each other and had a lot of confidence in each other...

In April of 1981, in fact, he had been designated as the next president--a few weeks before that, perhaps a month or so before that. This is one of his first trips to Hanover after being so designated. After we had had dinner, he was up talking to me at my home and we got into this location of the Hospital question, the traffic and what were going to be his big challenges. And I can remember, at the end of that evening, which was April 1, 1981, taking him up into the Hospital parking lots and we spent fifteen or twenty minutes walking around. It was then between nine and ten at night and, of course, it was wall-to-wall cars. The night shift was on and it was very hard to find a parking place anywhere near the Hospital building or in their lot, and, you know, simply saying, "Dave, this is going to be one of your biggest problems, to try and get this relocated." By then, we had the land in Lebanon; but, you know, there were thousands of other variables to fall in place before the things that now seem apparent could materialize. That was a step-by-step process.

CARROLL: Did you leave then an active... at that point retire from having an active role in the development of the Hospital, the Hospital building or were you always a part of the decision-making process?

PAGANUCCI: When I left the employment of the College, technically at the end of 1985, though my records may indicate sometime into 1986, it was a sharp departure. I remained for some months at Dartmouth's request a voting member of the Trustees Investment Committee for transition reasons and to help my successor, who was appointed in an acting role at first, and then later got the job permanently. Bob [Robert] Field ['43] was his name and he resigned as a Trustee to take the job, which I think again, kind of confirms the view of what a great job it is. I did not have any further involvement in an official way with the decision process. There were some future, though, critical votes. Dartmouth could have backed out of the whole thing in 1986, possibly into 1987.

I don't know the exact date of that trustee meeting, but I can remember having one or more agonizing meetings in New York City with George Monroe, who was then Chairman of the Trustees, where I was questioned in great depth about my views as to whether (1) Dartmouth could afford it's end of the commitments and (2) whether the Hospital could make it, based on the revised estimates that we had significantly "jaw-boned" their consultants into making because the first estimates were, we felt, loaded excessively in the favor of conservatism.

These were made by Big Eight, now Big Six, accounting firms, consulting arms who were experts in consulting on hospital administration. I think it was the firm now known as Ernst and Young, but it might have been Peat, Marwick [and Mitchell]. It might have been Arthur Anderson. It was one of those familiar names and their partner and I had some very acrimonious evening discussions in the old hospital board room with a lot of other people watching, but not participating.

They, in time, revised their projections from the very conservative ones loaded against the new hospital. They particularly were not factoring in the labor cost savings that would have been realized from an efficiently designed new hospital versus the very inefficient old hospital, particularly in the way the nurses' stations were designed. We got them to recognize those things. But George Monroe was quite skeptical as to whether the Hospital could really swing it in a new location and so I was involved, sort of off the horizon. I wasn't officially involved, but he wanted to delve into it some more. That's the main recollection I have.

CARROLL: Although this is not part of my official mandate, I am curious now, what do you think of the finished product?

PAGANUCCI: Oh, I am very proud to have had a small role in it. I think it is superb and I understand that it has been a far stronger financial success than even the revised projections ever dared to estimate.

CARROLL: Are you sure?

PAGANUCCI: Oh, yes. Both in occupancy and overall. This was at a time when the overall health care industry in the United States has had terrible financial difficulties for many, many different reasons, which aren't appropriate here. But it has been a revolution with the health care delivery, yet this hospital seems to have prospered, and clinicians, who as the doctors moved with it, also. The very first thing they had to do after they moved in, and it is my recollection that they started work on this within a month after the new Hospital was occupied, is that they began cutting down trees and expanding the parking lots. [Laughter]

CARROLL: Some problems never go away!

PAGANUCCI: Well, it's the whole idea that there was another burst, I think, of traffic volume once... I don't know if it was employees or patients or visitors or all of those, but even within a two-year period from the time of planning to the move, there were not enough spaces.

CARROLL: I had asked you to talk about other investments at Dartmouth. You had mentioned the addition to the north grant.

PAGANUCCI: It is called the Second College Grant.

CARROLL: The Second College Grant.

PAGANUCCI: Yes.

CARROLL: Could you talk about that a bit.

PAGANUCCI: It's a colorful thing. It wasn't a great amount of money. But if you look at the map of New Hampshire, you will see the College Grant, which I think in 1807 the New Hampshire legislature voted it to Dartmouth. It's one entire township of roughly twenty-seven thousand and some odd acres, and the boundaries never changed during that one hundred and eighty...almost one hundred and

eighty years. However, something strange happened that there is no electricity in this whole township. There is no running water to speak of, except a couple of beautiful streams that converge at the south end of the grant which are great trout-fishing streams and all. There were about nine cabins in the Grant.

Well, John Sloan Dickey, Dartmouth's twelfth President, was fond of the Grant from his undergraduate days. He was a deer hunter, an outdoorsman, and so forth. There then were probably half that number of cabins, so he felt that nine was a serious over population and he decreed that there would be no new cabins built in the Grant. He basically got John Kemeny, as I understand it, to pledge that that would be an enduring policy.

There is an interesting story about the emphasis in his priorities when John Kemeny asked did he have any advice to John Dickey as the outgoing President to his successor, the one bit of advice offered was "Don't sell the College Grant, John." And John Kemeny never did, though he was far from being an outdoorsman like John Dickey. In fact, he was the reverse! He faithfully observed that promise.

During the late Dickey or early Kemeny period, there was a college officer who was in charge of the outdoor activities in the Grant in an operating way. He wasn't one of the big deans, but he was an individual who loved to build cabins and so, knowing of Dickey's restriction, he went out and got a couple of well-meaning alumni to build a couple of very nice cabins. As I recall, at least one was in the so-called "Hell Gate" section, which was north of our boundary line. So we were spending Dartmouth gifts on building one or two very nice buildings on land belonging to others, which is a legal monstrosity and a "no-no" and it was just a very unwise decision. Yet, it was built through this rapids...a little canyon called "Hell Gate", where the stream comes down and it is a very picturesque area. That land was owned by the Brown Company, and, in its various consolidations, it wound up in the paper industry.

The acreage was sold to a company that owned a huge mill in Rumford, Maine, not too far from this area, called Boise Cascade, which is headquartered out in Idaho. And which, through Dartmouth's good fortune, Trustee William H. Morton, the man who I say saved the Medical School, was a director of Boise Cascade. So, in order to try and sanctify or legitimize this decision [to build the new cabins], we asked Bill Morton if he would talk to the C.E.O.

about selling us the area which included not only the sort of illicit cabins, but that beautiful canyon with it's waterway coming down through it called "Hell Gate"...some rapids and a little waterfall and all.

Lo and behold, two or three years later, the decision came down from the headquarters that they would do it. I was long back at W. R. Grace in New York, but my successors and particularly Cary Clark completed the purchase of a couple of hundred acres. It was for a very small amount of money, thanks to Bill Morton and the way they loved him at Boise Cascade. So we were able to change the configuration of the College Grant and make the cabins legitimate, though, technically, we had added to the John Dickey cap.

CARROLL: What were the cabins used for in the Grant?

PAGANUCCI: Well, they are used entirely for recreation purposes, available to undergraduates primarily, or to the alumni body. And there is a reservation system run by the D.O.C. [Dartmouth Outing Club] and there is a gatehouse there that limits access to the Grant, at least there was in those days. Whether it is still manned or not, I don't know. But it is basically a private preserve where people go up to be very close to nature, away from traffic, away from electricity, running water [Laughter] ...all forms of civilization.

There is a considerable amount of hunting that goes on up there for birds or for deer during the short deer season. For a much longer period of the year, there is very exciting fishing for brook trout that takes place in those two rivers. There are certain graduates who have gone like the same week each year for many years, staying in the same cabin. This was a tradition reinforced by President Dickey who had a habit, throughout his Presidency, of leaving on the Sunday or Monday after commencement (commencement would be on Sunday morning) going to the Grant with some of his close confidants usually from outside the Dartmouth world, some of the Trustees and so forth, and they would fish for a week.

CARROLL: Were you also a part of the Dartmouth family that helped to arrange the Minary Center...or was this a gift?

PAGANUCCI: Yes. I will come back to that.

The Grant also has been an important source of timberland revenues. The College manages the timber property and my role was looking after that side of it, the investment business side, and seeing that it didn't conflict too much with the recreational uses that I have described. I loved doing that. It originally was thought by the Legislature that it would be farmland, and they could lease it or sell it to farmers and get money to run the College. The terrain and soil was such that it was never propitious for farmland. They began discovering land in places like Ohio, Illinois, etc. that was much better for farming and so it was never developed for that reason.

CARROLL: The Minary Center.

PAGANUCCI: The Minary Center was received by Dartmouth shortly before my arrival to work at Tuck School. I think I was on the Alumni Council and we were taken up there to see it around 1969 or '70 and it was a gift which William Paley, the founder of C.B.S. had given to Dartmouth in honor of his long-time in-house financial guru and investment advisor, a Dartmouth alumnus, named John Minary ['29]. He was, I think, from the Class of '29...somewhere in the late twenties. John Minary and Orton Hicks, Class of '21, who was a friend of Minary's, had encouraged Mr. Paley to make this gift of his summer home and, by then, his family had grown up and...it is a very lavish property, as you probably know. But, I was not involved with getting that gift. I was involved a few times as to whether or not we dared keep it!

CARROLL: That was my next question. I knew that you certainly were there at the time...

PAGANUCCI: Well, it was a thing that despite aggressive efforts to make it break even, with revenues from renting it as a conference center, it was an up-hill thing because of the seasonality of it and it was very difficult to rent it in the winter and spring. However, the custom has been for many years for the Trustees in the summer time hold a one weekend retreat meeting there and the Trustees became very fond of it.

Whenever priorities had to be established, it seemed that Minary was always able to escape the knife because it was so highly prized for that one particular purpose, which is an extremely useful purpose. Some of the best meetings of Trustees that I participated in were up there because they were relaxed, long sessions without interruption and people's minds seemed to work more freely and in

a less inhibited way, particularly for the creation and evaluation of ideas.

CARROLL: Did they ever manage to have it run in the black?

PAGANUCCI: I can't exactly remember. I would say, if you ever put all the kind of overhead costs on it in an arms-length way, the answer would have to be "no".

CARROLL: Do you have anything else that you want to say about specific investments, because I was going to switch the subject and get back to sort of...

PAGANUCCI: Let's shut down for a minute.

[Interruption]

CARROLL: When we spoke earlier, we talked about the fact that under Kemeny's Presidency, there was a financial crisis and, knowing you and your ability to understand and interpret numbers, I would like you to talk to us a bit about what the endowment was like under Kemeny, and how it changed and how the monies attached to the University or, rather, the College changed at that time.

PAGANUCCI: Yes. During the post-World War II history of the endowment, there had been healthy upward trends. The equity markets, in particular, had been propitious. They had risen more or less steadily with each decade until 1970 or so. Dartmouth had had good investment management during this period. It had two capital campaigns which added to the endowment; one, in the late '50's, one in the late '60's mixed with the two hundredth anniversary of the founding. And I think the whole mindset of everyone involved, the Trustees and the top-level administration, was that it was kind of a predestination that the endowment would continue to grow as it had in the past.

In the '70's, there was a different set of variables operating, which negatively impacted all endowed institutions, Dartmouth being a good case study but with nothing different, or worse, at Dartmouth. The main things were, in particular, some pretty severe recessions starting around the year 1970...deep. It was soon followed by oil shock in the first of the Arab embargoes which completely changed the rules of the game and that, in turn, and perhaps what the government did to get over the recession, unleashed a burst of

inflation which seemed to gain momentum throughout the '70's and which made investing very, very difficult. It really kind of established a new set of rules for that decade, which were contrary to what had been seen in the '50's and '60's and the later part of the '40's.

These [factors] negatively impacted John Kemeny. One of the best measures of that is shown on this table [Appendix A]. The one that I have here which goes through the end of 1990. I am going to give it to you to append to this interview. It's called "The Twenty-four Year History of the Endowment", starting in 1966-'67. And the first number on there--the market value on July 1, 1966 was one hundred and fifteen point seven million [\$115.7 million].

When John Kemeny became President, which was in March of 1970, the endowment closed that year, three months or so after his inauguration, at one hundred forty-nine million dollars [\$149 million]. So it had grown very nicely in the latter four years of the 1960's and, as soon as he came in, when that recession came, by 1971 on June 30th, the value had declined from one hundred forty-nine million [\$149 million] to one hundred thirty point eight million [\$130.8 million]. And, though that was the low point in dollars, when he went out of office in June of 1981, the closing figure in market value for that month was two hundred and fifteen point five million [\$215.5 million]. So it went up during that period from the one hundred and forty-nine million [\$149 million] to two hundred and fifteen point five million [\$215.5 million], but that is an eleven year period.

The right hand part of this statement, particularly column 25 shows the market value of the endowment as adjusted for inflation and it starts with the index of consumer prices 1967 here equals one hundred and so, when John Kemeny became President at the end of 1970, let's see...that index was at one twenty one point five [121.5 %], and when he was succeeded in June of 1981, that index was at two seventy-one [271 %]. So you can see that there was more than 100% inflation during that period. It was the worst inflation that any of us experienced, that led to those very high interest rates in '79, '80 that we talked about, when the prime rate went over 21%. That's what made possible the Lebanon land purchase that we made at such a bargain price.

But, in terms of the real purchasing power of the endowment, which is column 25 on this statement, which is the gross figures from

column 2, which I summarized for you at the beginning of this answer, the adjusted opening value for John Kemeny, that one hundred and forty-eight million [\$148 million], when adjusted for inflation, was down. It was one hundred and twelve point five million [\$112.5 million]. Using 1967, equals a hundred and down quite a bit from where it had been at the end of FY [fiscal year] 1967. It proceeded to decline further during his Presidency as adjusted so that after he had been President for...in his sixth year, it's adjusted power dropped to under one hundred million dollars [\$100 million]. It shows in FY 1975 at ninety-nine point nine million [\$99.9 million] and it proceeded to decline to a low in FY 1979 of eighty-one point two million [\$81.2 million].

And then the Campaign for Dartmouth began to add monies back into the endowment and it began picking up in absolute buying power, so that, at the end of his Presidency, it was back up to one hundred eighteen point nine million [\$118.9 million] in inflation adjusted dollars. But that's, you know, more or less flat with when he started and, therefore, the increase in purchasing power that you would expect for an asset base like this did not materialize to support his Presidency.

In one particularly important commodity needed to run the College, namely heavy fuel oil, number six oil as it is called, as I recall, it went up from the budgeted amount of roughly three dollars a barrel of fifty-six gallons, or whatever it was. In the second or maybe the third year of his Presidency, it went to almost thirty dollars a barrel by the end of that year! In something that is as constrained as a college budget where you are not making any big profit every year that would absorb that kind of a terrible cost increase, it really meant that other things had to be cut back, skimmed on, eliminated, in order to pay for that kind of an increase. This went on in the later '70's and, I believe the price went even higher. I think one of the first Dartmouth budgets that I had responsibility for, which was probably 1979, '80...somewhere in there...It was an early budget for me. We had oil in at fifty dollars a barrel! Luckily, it never hit quite that high. It began to go down, but this was the tremendous thinking.

So, to try and keep the College from being decimated by budget cuts, because the buying power of endowment income was declining quite rapidly, President Kemeny induced the Trustees to agree to use a certain regulated amount of endowment each year, to spend it, and that is shown in column 9 of this thing called

"Endowment Utilization Program" and it was under what was called the "March 1, 1974 Vote", which was taken at a special meeting of the Board of Trustees to consider the budget crisis and, in that particular year, two point two million [\$2.2 million] of endowment principal was consumed from available unrestricted quasi-endowment funds, and that continued for the remainder of the Kemeny years and into the early McLaughlin years. The highest number that I see under Kemeny was 1978-79 when three point four million [\$3.4 million] was consumed. The highest number overall was '80-'81, which would have been his last year of four point one million [\$4.1 million] and the total amount of endowment that was spent here was nineteen point six million [\$19.6 million]. If you look at the gross values of the endowment during that period, which is column 2 here, the cumulative amount spent was more than 10% of the total Dartmouth endowment!

That stopped immediately with McLaughlin's Presidency. It wasn't that there was much philosophical disagreement between the two, but Mr. McLaughlin got some good breaks early in his Presidency; namely, interest rates declined considerably. He was successful in negotiating support for the Medical School from the other two service entities, and we continued to do well... I'll stop right there. In any event, this was a very painful program to use muscle and bone in order to keep the College intact as we had known it. It was one the Trustees did very reluctantly. One President Kemeny did very reluctantly and one that, luckily, the turnaround in performance in the '80's enabled it to be temporary.

CARROLL: It sounds as if the endowment did not just turn around, but actually took off. It tripled.

PAGANUCCI: Yes. Yes.

CARROLL: Can we just talk about how that was done? Can we do that in fifteen minutes? [Laughter]

PAGANUCCI: We can make a big dent in it. Yes.

CARROLL: Okay.

PAGANUCCI: I tend to look at the performance of the endowment not so much by decades, but as it was for the period when I had the prime in-house responsibility for oversight of it. That was from the beginning of '77-'78 until, I feel, the end of April, 1986 and the gross market value

from that time went from one hundred fifty-seven point five million [\$157.5 million] to five hundred four point three million [\$504.3 million]¹² and that was made possible principally...

[End of Tape 4, Side B -- Beginning of Tape 5, Side A]

CARROLL: You're saying Dartmouth outperformed other major institutions during this time?

PAGANUCCI: It outperformed or it was in the top 10%, 15%, 20% of the large endowments for this period of ten years or so. This is mentioned from time to time in the various annual financial reports. It is never quite as specific as I wish it was, in retrospect. But for example, from the 1984-85 report, I mention that for the eight year period since we went to multiple-managers, which was one of the first big changes made with the change in vice presidents, and my predecessor had helped engineer that. There is a sentence here... "For the eight year period ending June 30, 1985, Dartmouth's average annual total return of fourteen point seven (14.7) percent ranked the College second from the top in a grouping of seventeen major endowments including the majority of the Ivy League institutions." Throughout that period, we did consistently get rated in the very top slice. We weren't first every year. That is virtually impossible; but how was this done?

It was done, I think in part, because of the change to multiple managers that we made from one manager which had had all of the Dartmouth management responsibility for twenty-five years or so. That firm was named Colonial Management...a Boston firm...and it was fine for its era, but we kept them perhaps five years too long, maybe seven years too long, but they changed their investment style in the late '60's. They went into a style of growth stock investing in the "nifty fifty", as it was called, specializing in stocks that were devastated in the big market decline in the early '70's after John Kemeny had become President. And Dartmouth had a

¹² Market values of the Dartmouth Endowment at the relevant dates were:
April 30, 1986--\$504.3 million (PDP still on Investment Committee)
December 31, 1985--\$460.2 million (date PDP resigned as VP/Treasurer)
June 30, 1985--\$414.1 million

See Appendix D.

horrible shrinkage in the Endowment market value, which the tables show during that period.

In the 1977 search in which the Investment Committee and the staff spent a significant amount of extra time, we were very fortunate in the managers whom we chose. They worked out. The proof of the pudding is in the eating. For the ten-year period following their selection, the aggregate of the equity managers outperformed the S & P [Standard & Poor's] 500, which is a key test, by some two hundred basis points and that is considered...that's per year. So, cumulatively, that amounts to be a tremendous edge. So that was Part A--the selection of new multiple managers who delivered outstanding performance.

Part B is what is called the process of Asset Allocation. In Dartmouth's Statement of Investment Goals and Policies which was first published in I think the 1977-78 Annual Financial Report, which the then Chairman of the Trustees Investment Committee, Richard Lombard, and I wrote with John Kemeny and Bill Davis...particularly the spending formula part of it. Bill Davis was then the Treasurer. We dictated that asset allocation would be the responsibility of the Trustees Investment Committee. It wouldn't be delegated to any one manager. The overall moving of the pieces around the chessboard would be for the Investment Committee and the six, seven members that were there. And these members, which included Richard Lombard, the first chairman I worked with; Richard Hill, I think was the second one; or Walter Burke. Possibly in reverse order, but they were both chairman. William H. Morton, for a couple of years. I think they were all chairman; the four of them, two years each. Then Robert Henderson was the last chairman.

We all had a significant couple of biases that helped Dartmouth's performance. One was that we favored equities over bonds. Secondly, we had all been exposed, one way or another, to something that people were very unfamiliar with then, the venture capital business, and that enabled Dartmouth, starting in 1978, to be a pioneer investor among college and universities in venture capital investing. At first, the returns were low, but by the latter part of this period, when the endowment tripled in those ten years, they were beginning to come in at a very healthy way. Dick Lombard and I had been partners in our Wall Street firm in the sixties and we had been into some venture capital investing on a company-by-company basis then. Walter Burke had been affiliated with Sherman Fairchild, who was an early legendary venture investor.

And, after Mr. Fairchild died in 1972, Mr. Burke actually assumed his position in the Greylock partnership, which is among the most magically successful, phenomenally successful of all the venture firms, and that was one of the first two that Dartmouth went into in 1978 or so. Richard Hill's bank, the Bank of Boston, where he had been chief executive, was a pioneer among bank venture capital investing and that was to their great success. William Morton, though primarily a tax-exempt bond specialist, in his personal life portfolio had been a venture investor, both directly in companies for himself, particularly one big manufacturer of pre-fabricated housing. Also, through one or two New York-based venture firms. So he was very experienced in it. Other members like Sandy McCulloch also were well inclined toward it. They came from entrepreneurial backgrounds.

When John Kemeny, out of discouragement in the way the stocks had performed during the '70's, on certain occasions, sometimes kiddingly and sometimes we think seriously, wanted to put a high proportion or possibly all of the endowment into bonds...which would provide much more cash yield per year, and had been more stable in terms of not going down in value, somewhat less than stocks did anyway. This group, and I would hope that I could be included in it because I was a voting member of the committee throughout this time, pointed out to him that it would be a big mistake. Luckily, fortunately, he agreed with us. We didn't have to have any shoot out, showdown; but he agreed with us, I think, more out of personal respect for this group of individuals than for conviction that he had been able to empirically see himself. He was a mathematician, trained as a scientist and also a philosopher, but he hadn't seen anything to convince him that we were right, but he stuck with us.

When the gigantic rally began in the late summer of 1982, that's when interest rates began to drop rapidly, we were ideally situated with a heavy percentage in equities, beginning-to-mature investments in venture capital, a small LBO [leverage buy-out] firm by the name of Narragansett Capital, T.A. Associates and the Advent Venture Capital Funds plus Greylock. We were beginning to invest in some of the leading Silicon Valley, California-based venture capital firms...now household names to everybody, but not well known then. That combination of events was sort of the second major variable why Dartmouth did so well through asset allocation.

The third was a very aggressive staff, particularly Bruce Dresner, who had a way of asking questions of the managers... "Well, why did you sell that?" "Why did you buy that?" Particularly through his high energy level, the staff was extremely vigilant toward the managers. They knew we were looking over their shoulders. They knew they had to report to us frequently and make presentations before the committee. The committee met monthly, and there was no long period of indifference. We looked carefully over their shoulders in those days and I think that the quality of the Trustee committee and the quality of the in-house staff combined to make this performance.

You can't say also, because it is always better to be lucky than smart, that the market performance didn't have anything to do with it because that was a very major thing. But to some other schools, particularly NYU that had gone into all bonds, basically, it all passed them right by. Harvard was short equities when this big rally started out, through the use of futures and it took them a long time to get reversed and get invested, you know. Dartmouth made an incredible amount of progress against the Harvard endowment during that time.

I always measured Dartmouth against the Harvard endowment. It was ten times bigger than ours. It was a billion five [\$1.5 billion+] plus when we were one hundred fifty-seven million [\$157 million] when I started [July 1, 1977]. When I went back to work in New York, it was roughly seven times as big as the Dartmouth endowment so I felt we gained quite a lot in a relative sense. Harvard has never been ten times as big as Dartmouth since then. It is now about eight times or something like that.

CARROLL: I want to go back and just ask you one question about the investments in venture capital. Did you, as a group, investigate certain firms and decide to invest in them, or did you give your money to someone who invested it for you?

PAGANUCCI: Oh, no. Absolutely. We did all the investigating, between several members on that committee, particularly Walter Burke, Dick Hill and Bill Morton. I had been exposed to this by teaching the entrepreneurship course at Tuck School. And we had some of the venture capitalists come speak at the Tuck School and they happened to be from some of the same firms that these Trustees liked. So we had different ways, but we did all of the decision-making ourselves. We used no consultant to help us find any

venture firms. We did use consultants to help us find the mainstream equity and bond managers in 1977.

CARROLL: And did you ever invest any of the venture capital funds into a project that came out of the Tuck School or the Thayer School, in other words, Dartmouth-sponsored companies?

PAGANUCCI: We never invested any cash, although we set in place, I think, attitudes and mindsets so that Dartmouth eventually received a small piece of the equity of companies that came out of research done at Dartmouth, particularly at the Thayer School. There was a company called New England Digital which wound up earning quite a bit that made the...Synclavier... and that was quite a success for a while. I fear it has not been any longer, but that was an example.

But we didn't invest cash directly. With the exception of a company called True Basic, which John Kemeny had gotten started as sort of a post-Presidential project. And he wanted Dartmouth to be the major investor in it, and some of us were worried because it was a high-risk start-up. Despite our awe and reverence for him, Dartmouth invested perhaps a quarter of what he had hoped and the gap was filled by certain members of the Board of Trustees...perhaps I had a little hand in this. I suggested that it would be nice if they would invest maybe forty, fifty thousand [\$40,000-\$50,000] each. A handful of them...and give Dartmouth an option to buy their investment at their cost so there could be no accusing that they had made profits out of their Dartmouth positions. But no one would accuse them if they took a loss that Dartmouth would otherwise have! As it turned out, they took their losses to certain degrees, as I recall. But, in any event, that was the only direct investment of that type, and that was under very special circumstances.

CARROLL: I think we are going to call a close today.

PAGANUCCI: Yeah.

END OF INTERVIEW

INTERVIEW: Paul Paganucci '53, T '54
INTERVIEWED BY: Jane Carroll
PLACE: Ledyard National Bank, Hanover, NH
DATE: November 12, 1996

CARROLL: Today is November 12, 1996 and I am speaking once again with Paul Paganucci. Since we spoke last about the Hospital move, I was wondering if you had any afterthoughts.

PAGANUCCI: At the end, Jane, of our prior tape, the second tape, I mentioned a talk that I had given to the General Faculty of Dartmouth and then the faculty of Arts and Sciences. Those happened on the same day on December 2, 1985. It was in an atmosphere of a very high state of excitement over the proposed move of the Medical Center; also a state of great apprehension and of deep-seated resentment over the "gun at the head" atmosphere because the tax law was changing with respect to tax exempt financing as of December 31st that year. It did subsequently change and the net result was that decisions which had been grinding along endlessly without having a closure achieved for not months, but years, were all of a sudden having to be made in ten weeks or less and it was extremely difficult.

In that particular faculty meeting, as I recall, several of the deans spoke; Provost [Agnar] Pytte was out of town. Mr. McLaughlin spoke and the Dean of the Medical School and I spoke and Walter Burke, the Chair of the Trustees, was there and spoke to that meeting. Then there were two votes and the details will come up. But, in any event, I have a copy of the speech that I made that day trying to persuade the two faculties, the same speech was given twice to the two meetings, and trying to persuade them to approve it.

I also have appended here a copy of a memorandum with the notice of the meeting which contains excerpts of a memo Provost Pytte wrote to the general faculty, because he had to be out of town, I believe in China at that time of that meeting [Appendix C]. And he has told me that the first few pages of the excerpted memo which is attached to a notice from the steering committee to the members of the general faculty dated November 22, 1985...he has told me that the first two and a half pages or so are copied from a memorandum that I had written to the Board of Trustees at that time, which I have no copy of because I left virtually all of my files at Dartmouth when I resigned at the end of 1985. Thus I was verbally briefed, in my case by Agnar Pytte, now the President of Case Western Reserve University. But he and I both serve on the Board of Directors of the Sherman Fairchild Foundation, so I see him three or four times a year at those meetings.

The part that he quotes summarizes the arguments in advantages and disadvantages for making the move and then in the speech I go over a summary of the College's finances as of that time. It is kind of humorous to see it today because I talk about the stock market being at an all time high and then, in the second point, I say that the Dow is close to 1500! Well, now it is over 6300, less than eleven years later and the Endowment, at that time, was over four hundred and thirty four million [\$434 million]. This would have been like an end of October figure for 1985 and now it is over one point one billion [\$1.1 billion] and other figures have changed proportionately.

But this memorandum talks about the opportunity to finance a good deal of Dartmouth's share of those hospital costs out of arbitrage profits from the tax-exempt issue if the sale could be made by the end of 1985, which subsequently was made. The details are provided here and any future scholar who wishes to study it can do it to his heart's content.

In addition, on the move of the Medical Center, I think my memory was faulty with respect to what kind of precipitated the crisis that fall. I believe I said in my prior interview that the Hospital had failed to get all the approvals it needed from the Town of Hanover. In fact, technically, the entity that was sort of the straw that broke the camel's back that didn't get approval was the Hitchcock Clinic, the group practice of the doctors. The Hospital had approval from the State of New Hampshire, which is the key one it needed, and I believe from the Town of Hanover to make the large expansion on

Maynard Street costing in the mid-sixty millions on a site that many of us thought would not be a good investment of it's money. But its the way that most all of the medical centers have been built, by incrementally adding to a set of buildings that may have been begun many decades or, in this case, over one hundred years earlier.

The Hitchcock Clinic was terribly crowded within the old hospital building and part of the whole arrangement for the new center and this big expansion was that it would have a separate building for the out-patients to be built on land the College was willing to make available in the area that is called Dewey Field. Dewey Field is basically a big parking lot right now, which is northeast of the current Medical School buildings. It is on the Medical School side of the Lyme Road and at that stoplight where Park Street goes into Lyme Road. If it had been built there, the tremendous flow of traffic that I have previously commented on would have had to go through there, and it was felt that the pressure of those cars would have just caused an unsafe situation. So, technically, the Clinic's application was the one that, on the grounds of traffic congestion, the Town did not grant. Since everyone agreed the Hospital, the Clinic and the Medical School at that time had to be cheek-by-jowl together, then the plan became top priority to move the whole thing.

I have come across this past weekend a copy of the VOX newspaper. It is dated January 5, 1986. I think it was published closer to that December 2, 1985 meeting that I am talking about because it reports in detail on the meeting. It also brings out something about the traffic volumes and it quantifies them as I was talking about in my previous interview with you. I will read a couple of brief paragraphs here.

"The decision to move the Medical Center had been years in the making. Each of the Hanover components, the Hospital, the Clinic and the Medical School, have grown substantially over the years and show every sign of continuing to do so. Annual Clinic patient visits are now about one hundred seventy thousand [170,000] up from one hundred twelve thousand [112,000] in 1972." So that was, in this case, about less than a thirteen year period and it was up roughly two-thirds or so at that point. Then "The number of hospital patients admitted has risen from over twelve thousand seventy-four [12,074] to over fifteen thousand [15,000] in 84." That's an increase of twenty-five or so percent. "The Medical School has already gone from a two-year to a four-year program,

graduating its first four-year class in 1984. Some small growth is expected in the future years by the Dean."

It was these pressures...rising from the success of the Hospital and the Clinic and the Dartmouth Medical School, that made it very desirable to get it out of town. So I think it would help anyone looking into these things in the future if this copy of the VOX could be added [Appendix E]. And the third document that I dug out is from a Spring 1990 copy of the Dartmouth Medical School's alumni magazine [Appendix F]. At that time, which is some five years plus after the major decision to relocate, the magazine did a very good article, written by Rosemary Lunardini, about Dean [Robert] McCollum's deanship as he was approaching the end of it. And roughly half of the article is devoted to the move of the Medical Center and the history of it and who did what and who said what to whom and, to some extent, of how it was financed and how it has been working and it gets into, toward the end of it, the hopes about moving the Medical School and the fact that only half of it had been moved by the end of his Deanship. I think these documents, which I had randomly lying around on several different floors in my home, could help put all of this in one place. So those are the sort of "p.s." matters that I would like to add about the move of the Medical Center.

CARROLL: Thank you for that. I think what we are going to do now is have a bit of a switch of topics. The last time, we have spoken about the endowment under Kemeny and I want to move into the McLaughlin years, if we can, and talk a little bit about David McLaughlin. When did you first meet David McLaughlin?

PAGANUCCI: I first met David McLaughlin in 1950, thirty-five years...no excuse me, thirty-one years before he became President of Dartmouth. He was, say, an eighteen-year-old freshman. I was a nineteen-year old sophomore. I was living on the first floor of Gile Hall on the road going down toward Tuck School and he was living on the fourth or fifth floor. And around the middle of the year, I began hearing about this freshman, way upstairs, whom I probably knew by sight by then, who was getting very good grades and who had been an extremely successful freshman football player, but who worked so very hard.

He was the only person that anyone in the dorm knew that every night after his classes and athletic practices and so forth, because he was a three-sport man, which was very rare then and now (he

played basketball in the winter and track in the spring, in addition to football); but, he would come home at night and sleep less than anyone else in the dorm, and apparently he would recopy all of his class notes as a way of reinforcing what the professors had said during the day and to make them more legible. He is the only person in my Dartmouth experience that was ever able to find the time and the energy to do that. So, before that year was over, I knew him.

We were friendly throughout his and my undergraduate years. Then I became much more associated with him because, at the end of my junior year, I was fortunate to be tapped, as they say, for the senior society known as Casque and Gauntlet, which is located right across from the Hanover Inn in that house with the metal picket fence around it. The best location in Hanover for a student to live! And it is the job each year of the out-going seniors to select the in-coming delegation and Dave McLaughlin was one of the very obvious choices for my class to select. We did and he was promptly elected President by his own classmates. And, during his senior year when I was a second year student at Tuck and living down at Tuck School, I saw much more of him. I saw him probably several times a week.

I should take a moment and talk about his undergraduate record because these things tend to fall between the cracks, but there now is a movie that is in the re-run stage called "The Right Stuff" about the kind of the cream of American manhood, and now womanhood, that was chosen for the astronaut program. These people were the sort of ultimate high achievers, were good at everything. And Dave McLaughlin was such a person. I would say, considering balanced achievement, he was the highest achiever to attend Dartmouth in the 1950's. Statistically!

Specifically, he not only won the letters in three sports, but he was an outstanding student and he was extremely popular with the other students. He knew the name of probably half the people on campus at any given time. He was very affable and he would greet everyone and talk with them and be friendly with them. He was so famous that it really made people feel great that Dave McLaughlin knew their name. He was a high achiever across the board.

Football was his best sport. He set Dartmouth records for a three-year career--the most passes received. He played wide receiver, or end, as we called it in those days, and in addition to that, he was

All-Ivy one or two seasons and I believe All East his Senior year. He played on losing teams in the seasons of '51, '52 and '53, but a sign of the quality of his play is that he was drafted during his senior year by the Philadelphia Eagles. He never played for them because he wanted to finish at Tuck School, but he was definitely an N.F.L. quality prospect, as proven by his being drafted.

Secondly, he was a junior year Phi Beta Kappa. There had been two stages back then for making Phi Beta. At the end of junior year and during or at the end of senior year and certainly the highest achievers made it at the end of junior year, which Dave did. In addition to that, he became president of virtually every organization he belonged to including, in those days, being the President of the Undergraduate Council, which was like the student legislative body. I think it is now called the Student Assembly, but it was the top undergraduate job on campus. He was also President of Casque and Gauntlet, which is a highly prestigious job, and...

I am sure he turned down being president of the Beta House and numerous other things that they wanted him to be president of. And he was just a completely revered figure for his achievements and his personality and his character. He was absolutely sterling. During my career and his, we stayed in touch with each other. He had what you would call "fast track" jobs with his first employer after Tuck School, which was the Champion Paper Company. He was an assistant to the Chairman. After about ten years, he was hired away from that at a young age to be President of the Toro Company [Corporation] which had been started by two or three Dartmouth families out in the Minneapolis area and, by that time, Dave was a young overseer of the Amos Tuck School. He was the youngest selected for that kind of position. Then he promptly got me, I think, as the next younger one invited on, so we were there for awhile.

Prior to that, when I had the Wall Street firm,¹³ we had been trying to find a company that we would have our clients buy and put him in to run it. That never quite worked out because we couldn't find one that we thought would be a broad enough challenge for him. But we were close and he did business with our firm. He'd come in and see us every three, four, five months. He had that wonderful energy level where he could do so much more than the rest of us. He became President of the Toro Company around 1970 and it was

¹³ Mr. Paganucci was at the Wall Street firm from 1961-1972.

also about that time or '71 when he became one of the younger members of Dartmouth's Board of Trustees.

So, my experience with him goes way back. In fact, I have no doubt that he had a hand in my getting the unsolicited offer in 1971 to come join Tuck School. It took me a year to get unraveled from Wall Street to come up and do that, but John Hennessey, Dean of that day, was persuaded that someone with a business background should be involved with the management of the School and I had a couple of graduate degrees, so that made me, perhaps, a little more palatable to various ones who had to approve it and, in any event, I wound up working there. Dave was a Tuck overseer and then a Dartmouth Trustee and we worked hand-in-hand for that period from the early '70's until I left at the end of 1985...all the time that I was at Dartmouth.

CARROLL: When you were overseers together, what was the task of overseer at that time?

PAGANUCCI: Essentially the same as it is now, to give advice. Overseers never had any legal authority to make operating or financial decisions or to hire or fire deans or anything else, but their advice was, then and now, strongly heeded, and that was the basic role. In Tuck School, because it has always been the smallest of the "name brand" programs, the most persistently agonizing thing has been the question of the school size and whether it should be made larger to compete more effectively with its main rivals and to have a larger faculty, which they all have. There also was, in those days, the question of whether Tuck should be involved in an executive education program, which we talked about in an earlier meeting. You know on that tape how it came out. But there were a lot of things that bridge the world of practice and application versus the theories the school teaches that make overseers useful.

CARROLL: Were all the overseers then successful businessmen?

PAGANUCCI: Virtually all. There has been a tradition at Tuck School to try and have a few academics, a few from the not-for-profit sector and they tend to be intellectual individuals, as many of the businessmen-overseers are, too.

CARROLL: Then are you making decisions about what kind of curriculum should be implemented to make these students more viable in the workplace?

- PAGANUCCI: We should be clear that they don't make any decisions--the Overseers. They just give advice. But many times, they try to make the School more relevant through course offerings or, at times, through suggesting visiting speakers from the real world, which Tuck School relied very heavily on.
- CARROLL: I am curious about this debate as to whether Tuck School should expand or not. What were the pros and cons about that issue?
- PAGANUCCI: Well, I'm going to only give a brief answer because there are so many who can give you so much on that, but the pros were that you needed a bigger faculty to be competitive with the top schools and that perhaps you needed other higher degree programs than an MBA, particularly a Ph.D. or a D.B.A. program. Tuck School has a very narrow niche. It's the first and oldest MBA program. To get larger faculty and more visibility, that was another argument. More research publication was another way of saying "visibility". You need to have more tuition-paying students. If you get more tuition-paying students, the biggest con is you begin to sacrifice the intimate family, personal, one-on-one familiarity with the professors and all that Tuck School students have always luxuriated in.
- CARROLL: As an alumnus, listening to these arguments, did you have any decided opinions, one way or the other?
- PAGANUCCI: I felt that Tuck should broaden itself but not, you know, ever expand to five or six hundred a year like Wharton or Harvard Business School was in those days. But Tuck should slowly expand and be able to offer more courses and more areas of specialization because, with a very small faculty, it is very hard to do that. And then, in effect, that's what's happened although Dave McLaughlin, in 1972-73, might have hoped that it would happen in five years and, let's say, it has probably taken twenty-five or more since then. But it has happened.
- CARROLL: Working with him...did you two, because you had known each other so long, form a kind of bond, an ability to talk with one another very frankly that takes a while otherwise?
- PAGANUCCI: We very much did. We had a lot of respect for each other and a lot of confidence in each other and I can think of very few, if any, instances where I advised him to do something or to make some

decision that came out of my area at Dartmouth, particularly the finances, the investments, the budget, that he didn't support.

CARROLL: Were you surprised, then, that he was moved on to the Board of Trustees?

PAGANUCCI: Oh, no. I think he was a very logical choice--as I have been kind of building up to--saying that he was the outstanding person, I think, to come out of Dartmouth in the decade of the fifties, the decade I was in. I knew most of the other people in that decade. He was the most logical choice possible to be a Trustee.

CARROLL: What are the differences...how were the responsibilities different, I should say, from the Board of Trustees and the Overseers?

PAGANUCCI: They are the difference between night and day in that it is almost, to go back to an analogy President [Ernest Martin] Hopkins used to like to use... It is the difference between the steak on the platter and the parsley that decorates the steak. In this rough analogy, the Trustees are the steak and Overseers are the parsley. I know that that is not flattering to a position I have been in several times, but one, the Overseers, they have a good advisory role. They, when push comes to shove, are more decorative than they are meaty.

The Trustees have the ultimate legal responsibility to make all of the hard decisions. It's not the faculty in the end. It's not the President. They can both make recommendations. But the Trustees are basically the legal owners of the entity and everything you see in any given academic realm and they have the real authority, responsibility and power to decide all key matters. The two most important matters over the years that they have to do according to the way the role is perceived, is to hire and fire the president, C.E.O.s and to oversee the investment of the assets of the institution, particularly the endowment.

CARROLL: Is that the role that you played as advisor to the endowment when you were working with the Board?

PAGANUCCI: Well, I was in effect a member of the Trustees' Investment Committee, a voting member, as my predecessor John F. Meck had been, but I don't think anyone since has been. I was also the Agenda Officer, which is a more common role for the Vice President; namely, to decide what would be listed for consideration at any given meeting, which were held monthly in those days.

Those agendas would be made up with respect to anything that was discretionary or non-recurring in consultation with the Chairman of the Investment Committee. I think I have said in prior talks that I was blessed. I had a series of very outstanding ones.

Dave McLaughlin never served on the Investment Committee as a Trustee, as I recall, because it was hard to come from Minneapolis for a monthly meeting. They tended to be from Boston and New York...those serving on the Investment Committee. He always understood the process very well. He was financially sophisticated, but even when he was President, he very seldom came to Investment Committee meetings. And I think, without breaking my arm patting my back, it is because he had confidence in what was going on there, so he devoted his energies to where he maybe had a little less confidence.

CARROLL: Now, did you have much contact with David McLaughlin while he was a member of the Board of Trustees?

PAGANUCCI: While I worked at Tuck School?

CARROLL: Yes.

PAGANUCCI: More than what might be apparent from the relationships, because I wasn't the head of Tuck School. I was the number two dean, but he used to call and talk about a lot of things.

CARROLL: He was on the Board when there were quite a few changes going through.

PAGANUCCI: Yes. Yes.

CARROLL: So he came on right after the vote for coeducation. I think he was there for the vote. That was his first vote, I think he told me.

PAGANUCCI: It seems to me that's what I heard, too. Yes.

CARROLL: From that point on, there was nothing but amazing changes, cataclysmic changes really taking place at Dartmouth.

PAGANUCCI: Yes.

CARROLL: As someone who knew him so well in his traditional mode, how able was he to enthusiastically support the changes that he saw?

PAGANUCCI: Well, I think that he was objective and unreserved and good hearted about supporting all of the changes. He was an objective, very fair, equitable person. He didn't have any revisionary traditionalist ax to grind. On the subject of women in the student body, I think it helped his thinking, although not the greatest single variable, but he had a son in the Class...oh, I could say from the late '70's, Bill [William '78 TU '81], who later went to Tuck School after working for a while. And that his daughter Susan was Class of '81, so she wasn't in the first women's class or whatever, but she clearly was, you know, a very gifted person in the student body. A very good hockey player, which is a sport her father didn't play. But, he, I would say, was a very good Trustee and supporter of these changes.

About the time he joined the Board was when the financial crisis that had plagued John Kemeny's Presidency erupted due to the stock market declines and the endowment spending formula which was ratcheting down what they could spend when all the hope was that it would go up. And that's why that March 1, 1974 vote was passed that I previously described to you and showed you on the spread sheets, the amounts of endowment that had to be consumed under that. Dave McLaughlin supported that. He was at that meeting as I recall and it was just like taking bitter medicine. You had to use up endowment to keep the essential elements of the institution together.

CARROLL: It seems to me that so often when people on the Board of Trustees were on the front line, the firing line, of alumni indignation over the admission of women or the elimination of the Indian symbol... Did he ever talk to you about what that was like to defend these decisions?

PAGANUCCI: I think I was at some of those meeting with him. I am sure I was hiding behind a table or chair or something [Laughter]. But, yes, he talked to me about them. The reasons the Trustees, I believe, were frequently on the front line is that the Trustees, until Mrs. [Sally] Frechette came on the Board, with the exception of John Kemeny and the Governor, the two ex-officio Trustees, had all gone to Dartmouth. Certain of the changes in the fabric of the place, like the admission of women or the abolition of the Indian symbol, were best explained by someone who had the same background as the critics, which despite his many distinguished years on the faculty,

John Kemeny with his Princeton education didn't have to the same extent.

CARROLL: What I am wondering about is, did he ever tell you any stories or tales about having to defend his decision to recalcitrant alumns?

PAGANUCCI: Oh, yes.

[End of Tape 6, Side A -- Beginning of Tape 6, Side B]

PAGANUCCI: The general themes were different regarding those two major changes. The one that was more rational, as time went by, was coeducation. As I have previously said to you, and as I am sure Dave brought up in many cases, as one of the Trustees explaining the decisions, that they were getting as many legacy applications from daughters and granddaughters as from sons. And in many, many families, who were traditional Dartmouth families, the opportunity to broaden the participation was immediately recognized and that turned around some of the opponents about coeducation!

The Indian symbol was more difficult because it seemed less reasoned to the alumni advocates of it. Even today, it is hard to explain to some of them because you go into the whole matter of the Native American sensitivities, their objections, their well-founded complaints, their understandable desire not to be caricatured and so forth, which they were. And yet, the same critic will say, "Well, if it is so important, how come the Atlanta Braves are still the Braves and the Washington Redskins are still the Redskins and the Cleveland Indians are still the Indians?" All of these are professional sports teams. On the college level, there is a leading team in Florida, at the University of Florida, the Seminoles. So some abolished the Indian symbol, which Dartmouth and Stanford did, but others just kind of looked the other way, particularly in the professional arena. So the on-campus sensitivity, because the critics would say, "Well, the Indian cheerleader and the symbols and all, put this race in a heroic light." It wasn't meant to be demeaning or to ridicule, but clearly, you know, they saw it that way, and you have to respect their feelings.

But Dave never--he probably had Indian head [memorabilia]--sort of Indian statues and stuff that his children gave him over the years before the decision, but he never flaunted them after the decision and he never wore Indian ties the way that certain people still do. The way some of the students do!

CARROLL: He must have had good memories of that symbol because he played on the football team and there were the cheerleaders standing on the sidelines.

PAGANUCCI: Very much so. Knowing Dave, he was too busy to ever pay much attention to the cheerleaders. [Laughter] But of course, we all knew it was there and we were all fond of it, you know. It was a courageous thing to go out this time of year wearing just a loincloth and a coated body. It was freezing. [Laughter]

CARROLL: I have always wondered about that. I have seen the pictures. It did not give them much covering.

PAGANUCCI: No, it didn't.

CARROLL: Were you surprised then when it came time for Kemeny to retire that David McLaughlin's name was put into the hat, or were you expecting that?

PAGANUCCI: I was expecting it. I was not surprised.

CARROLL: For what reasons?

PAGANUCCI: Well, because he had been an absolutely outstanding Chairman of the Board. It was somewhat of an unorthodox decision to make him the Chairman over several Trustees ten, fifteen years or more his senior, but they really reached down in the ranks because of his outstanding record and dedication and all he had done for Dartmouth. It was a role that he superbly played, and the other Trustees were extremely respectful of him and of his dedication, his degree of interest. They were very fond of him.

CARROLL: I am curious. What makes a good Chairman of the Board of Trustees?

PAGANUCCI: There is probably no one stereotype for it, but it is a person who is very respectful of the other Trustees, who can develop a consensus

among the disagreeing factions when they exist, who can find common ground, who can lead in the introduction of new ideas and see that they are perhaps gradually done, who can be a wise sounding board for the President/C.E.O., who has the most difficult job of all. And, in addition to those qualities, that would take place within the dynamics of the Board, itself, Dave McLaughlin was so respected to all the alumni who knew him that, if he wrote someone a letter about, you know, in answer to whatever or if he wrote, or he called someone, it was considered a very desirable thing to deal with him.

CARROLL: Did David McLaughlin and John Kemeny have a good working relationship during that period?

PAGANUCCI: Yes, they did.

CARROLL: Because they are such different personalities.

PAGANUCCI: Yes, they did, but I think, out of respect for the jobs they were each in, each accommodated to some extent. I don't think they met too much at two in the morning, which would have been Kemeny's time or six in the morning, which would have McLaughlin's time. [Laughter] But, from lunchtime on, they did extremely well.

CARROLL: Do you know any other names that were put in the hat for the presidency during the time of the search for David McLaughlin?

PAGANUCCI: Oh, I don't officially know. Certainly, I was not a direct participant in the decision, but things leak out. I have heard of two who later became Trustees. One was Ira "Mike" Heyman ['51], who was then Chancellor of the University of California at Berkeley; was on the list. He is now head of the Smithsonian Institution. He later became the Chairman of the Trustees under Jim Freedman.

Another one was a Trustee named Lisle Carter ['45], a Washington lawyer who had been president of a public institution of education in the District of Columbia. He was the one black Trustee of his era, but I believe they were both considered. I am sure there were others from within and without the Dartmouth family, but I don't really specifically know.

CARROLL: Do you remember your feelings when you first heard that David McLaughlin had accepted the presidency?

PAGANUCCI: Well, I think I had gotten some feelers from certain of the Trustees who--they played a very wonderful role with me because they made it clear that they wanted me to get along with the new President yet they didn't specifically ask me if "so and so gets the job, will you stay or go?" But they knew my feelings about certain individuals and they knew that, if Dave had gotten the job, I would certainly welcome working for him.

The Chairman of the Search Committee was Walter Burke ['44], with whom I developed a very close working relationship. I can remember having several meals with him during the search period and he was bouncing names off me and I was bouncing names off him, too, to see if he had thought about this one and that one. We had a very good partnership between the fiduciary level and the operating level, which I represented.

CARROLL: How did they arrange the search so that there would not be a conflict of interest in David McLaughlin's name being part of the list of candidates when he was Chair of the Board of Trustees? Do you remember?

PAGANUCCI: Well, he was, as I recall, excluded from the process. The Search Committee was set up and he was not part of it. Walter Burke chaired it. I would have to look up some of the papers to see who the other members were. I think they had a couple of advisory groups feeding other information. One being the alumni representatives and, in no way was the process rigged so Dave McLaughlin would wind up getting offered the job. But I think there were one or more Trustees who had known Mr. Hopkins and Mr. Dickey who saw Dave McLaughlin in that tradition. I think they aggressively persuaded the other Trustees that the choice was a sort of "no brainer", no matter how many names they had on the list.

CARROLL: When I look at David McLaughlin's background and his very, very driven, very goal-oriented life, he reminds me so much of Mr. Dickey and I wonder if they had any special affinity with one another.

PAGANUCCI: They very much did and it is well known that Dave McLaughlin, when you really boil it all down, in my opinion, revered John Dickey as a father image, a sort of proxy father. And, because of Dave McLaughlin's visibility in the student body as President of the Undergraduate Council and all these other things that I have

summarized, I am sure that he saw the President a good deal during his junior and senior years. He saw President Dickey far more than the average, even the top one percent of all the students.

Just like in the 1940's, a Trustee played a key role in getting Dave McLaughlin selected for the job, offered the job, and that was William H. Morton. He was the Dave McLaughlin in the student body of 1930's. Very brilliant, smart, quarterback on the football team, All-American in hockey, and so forth. He used to tell me stories that I loved to hear about how the secretary would call him up in the springtime. "Could you meet Mr. Hopkins at three o'clock? He would like to play a little golf with you." [Laughter] And that was the case, and Bill Morton as a student knew Ernest Martin Hopkins very well. And he was, you know, a selected friend of President Hopkins and he saw Dave McLaughlin in the mold of Ernest Martin Hopkins.

Mr. Morton was an activist and he always fought for what he believed in and he believed strongly in Dave McLaughlin. There is no doubt in my mind that he had a major influence on the other Trustees. He was one who would say, "It is just a no brainer who you put in this job. It has got to be Dave because there is no one else remotely close to him in qualifications."

CARROLL: He felt himself to be too old to aspire to this job?

PAGANUCCI: Well, Mr. Morton at that time...yes...

CARROLL: Seventy?

PAGANUCCI: Well, let's see. Yes. He was about seventy years old then. No way would he want the job.

CARROLL: When David McLaughlin came into this job, he had had no academic background. How difficult was it for him to adjust from a business world to an academic world?

PAGANUCCI: Well, he had--his graduate degree was an MBA from the Tuck School. He also had substantial academic exposure as a Trustee of Dartmouth from roughly '71 or '72 for about ten years before he was made President. He was Chairman of the Trustees from what year? '76 or '77? So he had about four years of working with the President on an almost daily basis. So he wasn't unprepared for

the job, though he didn't have the traditional academic background of a Ph.D. or an equivalent degree to a Ph.D. such as a J.D. which, at the time, in the '70's, the President of Yale and Harvard both had J.D. degrees instead of Ph.D.'s. Kingman Brewster and...

CARROLL: Derek Bok.

PAGANUCCI: Derek Bok was the Harvard President. Kingman Brewster was the President of Yale. They had J.D. degrees. Those choices were never particularly criticized, but Dave had only the MBA degree and was greeted with an unfriendly reception from his very first faculty meeting before he was inaugurated.

Interestingly enough, because I mentioned the Trustees loved him so that they played a key role in his selection and they were looking at the Hopkins and Dickey models; Hopkins never had a Ph.D. and he was not an academic. His background was principally working for Dartmouth as assistant to Mr. Tucker or working in business. He was an executive with the telephone company and with the Filenes organization, particularly in what is now called human resources. He had great interpersonal skills; but, he had, I think, a Master's degree at most. And Mr. Dickey had a law degree from Harvard, like Brewster and Bok. So, to the Trustees, Dave McLaughlin's qualifications were not inferior. But, to the faculty, from the beginning, it seemed like they did not want to grant him much good will.

CARROLL: At the first meeting, I read the minutes for. It comes through to me that there was quite a bit of animosity in the crowd.

PAGANUCCI: For some reason, I was out of town and not present, but I have heard that reported, too.

CARROLL: I am curious--he seems to have taken it with much good grace, at least in the beginning in these first meetings. What was his style of leadership like, especially following Kemeny? Could you compare them a bit?

PAGANUCCI: Dave, when criticized, always responded with good grace. I have never seen him lose his temper in public. Nor do I remember Kemeny doing so. I can see them getting a little excited at times. I have seen David angry in private. I have seen Kemeny angry in private, too. But they both had very good control over their emotions. David's public mode in a faculty meeting when perhaps

being asked a lot of barbed questions, was, again, to give patient explanations and to try and find a consensus.

Both he and John Kemeny, if I remember correctly, had some successes with the faculty in getting through various studies programs, which were originally not popular with the faculty. I am talking now about things like Black studies, Women's Studies, Native American studies. I don't remember the exact chronology of who got what approved, but I know that each considered it a considerable victory when they could get faculty approval for interdisciplinary courses or majors and things in those areas. So, though their personalities were very different, they often governed in similar ways.

I had mentioned previously that John Kemeny was the master of the faculty because he was more brilliant than any of them and he just could out-debate them, out-maneuver them in a parliamentary sense. He just kind of had them in his hand, where Dave McLaughlin, partly because of that hostile, unfriendly reception at the very beginning, always had to be more of a servant of the faculty. He tried very hard to be that. I think that you will find that the conditions for the faculty, in terms of their pay and their benefits and their teaching loads and their schedule flexibility improved more while McLaughlin was president than while Kemeny was president. Now, part of that is that the financial conditions eased through macro forces with more or less the arrival of Dave McLaughlin and he had a less stringent environment in which to work than John Kemeny was forced to operate in.

CARROLL: I am curious--one of the things that have been consistently said about John Kemeny is the fact that he could persuade you of anything. He just kept hammering at you until you agreed with him. How did David McLaughlin get people to come around to his point of view?

PAGANUCCI: Well, I think first of all that's an over simplification about John Kemeny and I will give you an outstanding example where he couldn't persuade people. Thank God! That was on the occasions, which were more than once, when he was so discouraged with stock market performance, the declines and less money to spend, and so forth, that he tried to persuade the Investment Committee and wrote some memos, if I remember correctly, to put the endowment largely or entirely into bonds. And he never persuaded anybody to do that and, if he had, Dartmouth

might have a two hundred million endowment today instead of a billion dollar one. That is somewhat exaggerated, but it would have made a very dramatic difference.

So, though he was very brilliant, he was human and he wasn't always successful. Particularly, he was, let's say, most successful in the things that he knew best--undergraduate teaching and math and curriculum development and, in things like investments, which weren't his professional field, he was less successful.

McLaughlin did have something of a honeymoon period and he was successful in achieving many things, which we will come to in some detail. But one of the things that I lament is that I don't think he gets credit for the many, many important things that were instituted during his Presidency and couldn't have happened unless he fervently believed in them.

CARROLL: One of the descriptions on the part of the faculty when they would complain about McLaughlin tended to be that he brought into his role a management attitude of rulings from the top down.

PAGANUCCI: Yes. Yes.

CARROLL: How fair do you think that was?

PAGANUCCI: I think it tends to be unfair. I think that there is a grain of truth to it, but because he came from the business background, they tagged him with a "top down" attitude or approach. In fact, Dave is very highly geared to achieve a lot in a short time. Although he appears to be a very patient person, he is very driven to get things done. When certain things would have gone on three weeks and the faculty committee might think they wanted six or nine months, he would begin...perhaps I am theorizing now... For example, he would call the chairman up and say, "When are you going to have the report on my desk?" You know what I mean. "Wait a minute. We haven't even begun meeting yet." Or something like that. But, I think that his impatience and desire to get things done and then go on to the next thing are not due to the fact that he came up through the business world. It is just due to his basic inherent characteristics. He is extremely productive.

CARROLL: Which, I think, leads us to talk about some of the notable successes he had, because this comes so often from his drive.

PAGANUCCI: Yes. Yes.

CARROLL: I was going to start perhaps with fundraising, because he did so well at fundraising.

PAGANUCCI: Yes. Yes.

CARROLL: Do you want to speak about that?

PAGANUCCI: Yes. Interestingly enough, though their personalities were very different, both Kemeny and McLaughlin were highly effective fundraisers. They could each identify and successfully cultivate over a period of time major prospects. In the case of Dave McLaughlin, I would mention John Berry ['44] as an example. In McLaughlin's case, he persuaded him and Ed [Edward] Leede ['49]-who was another alumnus of the early '50's, late '40's, a former athlete like Dave--to give the Berry Sport Center and the Leede Arena within it.

The fact that McLaughlin had the patience to cultivate is somewhat of a commendable paradox in view of his lack of long run, stick-to-itiveness over a dragged out process. Cultivation takes time and, yet, he was willing to do it and he was very good at it.

The mechanics of how the two Presidents raised money is quite interesting. John Kemeny did not like to fly on the small planes out of Lebanon and so he would tend to fly out of either Boston or Hartford. When he went on a trip, whether it was to New York, the most frequent destination, or Chicago, or the West Coast, or other major cities--he would always like to go and stay for a period of time--maybe three days in Chicago, maybe a full week in New York. And he expected deans and officers in the Development Offices to fill out his schedule. And he was willing to work very hard through dinners every night and so forth with prospects. And one of his favorite or pet complaints was that he would make these big blocks of time available and the persons working for Dartmouth, to whom he made this time available, were unable to get all of the prospects scheduled in enough sequence so that he wouldn't have, like between two and four in the afternoon, with no appointments. That was very galling to him. I don't blame him. It would have been to me, too. Again, it is a delicate business and it is hard to do it.

But, in Dave McLaughlin's case, he was willing to fly virtually anywhere that a plane would get to and back in one day to make a

fundraising lunch. He didn't think about bunching trips. But many, many is the time that he would go down to Lebanon in the early morning, get on the plane, have a couple of fundraising meetings, including a fundraising lunch in New York and come back on the evening plane. He thought nothing of that.

So their attitude toward travel was very different and they were both very effective in fundraising. I think for the prior capital campaign called the Campaign for Dartmouth, it had a goal of one hundred sixty million [\$160 million]. It ended up--it was started in 1977-78 with the nucleus fund--it wound up being closed out sometime at the end of '82. The presidential transition took place, as you know, in the summer of '81, and McLaughlin was Chairman for most of that campaign and they worked very well together. McLaughlin did some heavy fundraising toward the end of it on his own and it wound up getting something like two hundred and eight million [\$208 million] which is very good for that era. And Dartmouth's prior fund had been like sixty million [\$60 million] at the end of the 1960's in the so-called Third Century Fund. So that was a very dramatic improvement, as the recent fund has been over the one that I just summarized for you.

The people that Dave called on were usually Dartmouth alums and they knew of Dave's reputation as the man with the "Right Stuff", the scholar, athlete and everything and he was very welcome, very welcome. They loved seeing him coming.

CARROLL: He was able to build so much during his presidency, where Kemeny had never been able to with all his financial crises.

PAGANUCCI: Yes. Yes.

CARROLL: How did he prioritize what he felt was needed on campus?

PAGANUCCI: Who is the "he"?

CARROLL: McLaughlin. I'm sorry.

PAGANUCCI: Okay. Well, he did it partly by trying to catch up for things that should have been done during the seventies when John Kemeny was President, but were impossible because of the general financial stringency through no fault of any Dartmouth President or any other person. Dave McLaughlin had better equity markets, a

better fundraising climate. People were more willing to give gifts of stock, if the stock had gone up a lot in the recent prior years.

He also benefited from a major change in the financial philosophy of Dartmouth and that was, during the Dickey and Kemeny presidencies when other schools were quite heavily relying upon the sale of tax-exempt bonds in order to leverage the assets they had and the capital they had in their endowments, and they could use the proceeds to build facilities, Dartmouth's Trustees had declined to do that.

The fact they declined to do it, as I understand the history from my predecessor, John F. Meck '33, who was the Financial Vice President for about 29 years, is what led to the Dartmouth Plan. The Dartmouth Plan was the third major change under Kemeny and McLaughlin, probably ranking in importance between coeducation and the Indian symbol, which, you know, has faded in retrospect. But the Dartmouth Plan is a very major structural change in the *modus operandi* of Dartmouth.

When most of the other schools wanted to expand their student bodies by 30%, 40%, 50% to admit women, they borrowed money to build dormitories through state financing authorities and sold tax-exempt bonds. Then they paid back the bonds over 20, 30 years out of the rental revenues from the dormitories. They were self-financing. This is an acceptable higher education finance. The Dartmouth Trustees resisted putting any debt on the balance sheet. So, when Dave McLaughlin became President, he inherited a virtually debt-free balance sheet, which means we had a lot of borrowing power. He didn't set out with any big objective to borrow major amounts of money to leverage up the Dartmouth balance sheet, but we got into the arrangement gradually.

The first bond issue was sold through Goldman Sachs & Company and was closely managed by the Investment Committee and a team of us from within the College, but particularly Cary Clark, Bruce Dresner, Dave McLaughlin and me [plus Bill Davis, the then Treasurer, and George Smith, the Comptroller]. It was dated June 29, 1982. And that is just about a year after McLaughlin became President and we didn't do it for the prime reason of developing facilities, but Tuck School had had a student loan company going back to the time--it was started around the time McLaughlin and I went on their Board of Overseers. It was called TELCO. That stood for Tuck Educational Loan Corporation. Tuck was fortunate

to have a couple of Dartmouth Tuck graduates on it's Board of Overseers who had spent their business careers...

[End of Tape 6, Side B -- Beginning of Tape 7, Side A]

PAGANUCCI: ...graduates serving Tuck were John Zimmerman ['32 TU '33] and Allen Brush ['35 TU '36] and their classes would be, I think, like '33 and '35 or '36. And they came up with the idea since the cost of MBA education was escalating so rapidly and most of the graduates being more mature and, say, between 25 and 30 years of age, they were financially independent of their parents. They just needed to have a way they could borrow money to pay for their MBAs to be repaid from the higher stream of income they would earn once they get that degree. They got the idea, "Well, we can finance the education the way you finance a car...monthly payments."

So a company was set up, owned by Dartmouth, not for profit, which borrowed money from banks and lent it out to the students. It marked it up a little bit to pay for the administrative costs. And that was TELCO [Tuck Educational Loan Corporation]. An alumnus with a General Motors background, who had been chairman of the company...Albert Bradley, the Class, I think, of '15, made an important gift to Tuck School to give the equity investment that would provide the basis to borrow this money. It was very successful.

But, during that period that I have mentioned in previous interviews, in the late seventies, when the prime interest rate went from 8%, 10%, 12% up to 21%, which is what Tuck was paying on these loans, it became prohibitive for students to borrow at these rates, which previously would have been considered usurious. I was, by then, working up in Parkhurst and I was in frequent contact with Bill Morton who had spent his career in the tax-exempt bond business. He had his own firm, which was sold to American Express.

He became president of American Express and he was then a key member of the Investment Committee and he served two or three years as chairman. We were in very frequent communication and I was complaining to him about this difficulty, and he basically said, "Well, can't you figure out some way to use tax-exempts as a source of money instead of this bank money?" He had a medical

school overseer that was very financially sophisticated, who helped contribute to the conceptualizing of this approach. His name was Lawton Johnson...now dead. He lived in Lyme. And Bill Morton and Lawton Johnson encouraged me in a series of meetings to explore tax-exempt bonds as a means of financing loans for students.

We quickly realized after some research that New Hampshire had a law that permitted other schools in the state to sell tax-exempt bonds and permitted us, if we wanted to, but only for "bricks and mortar" projects. Most of the others had. The state university [University of New Hampshire] was doing it frequently, normally to build income-producing facilities such as dormitories or dining halls.

We started a legislative effort around 1980, when John Kemeny was still president, to get the New Hampshire law amended. Cary Clark and I, plus Tom Rath (Tom Rath is a lawyer in Concord, very politically astute) worked to get the New Hampshire law changed to permit tax-exempt bond proceeds to be used for student loans. The Governor at that time was named Hugh Gallen and we went down to see him on a Monday morning at nine o'clock. I remember that was the time he gave for the appointment and we basically said what we wanted to do and explained it to him. He was only interested in the answer to one question. "Would it cost the state any money?" We were able to assure him that what nominal costs were involved, Dartmouth would pay. He backed it and it whistled through. It probably passed sometime in early '82 after many months of statistical analyses as to how much money we could borrow. Because we felt that this thing should be not just for Tuck School, but it should be for all Dartmouth students...undergraduates, Medical School and Thayer School and other graduate students plus Tuck School.

So, after a lot of study and then a selection of an underwriter [Goldman, Sachs], the first bond issue was sold and this is the offering circular for it. I am sure there are copies in the College Archives in the basic files. But we dedicated about one half or more of the total proceeds of this first issue which was between twenty-five and thirty million [\$25-\$30 million] should go to the Dartmouth Educational Loan Corporation. We took the Tuck assets and put them into the new one that would be tax-exempt and we were able to roughly cut the interest rate in half for all the students. It has remained there ever since at a comparably lower level.

CARROLL: Does TELCO then still exist or has it been lumped together under one heading?

PAGANUCCI: Most of its capital was put into DELC, as the new acronym developed. However, TELCO still exists to make a small amount of loans each year that the tax-exempt funds could not be used for. One of the great traditions that TELCO developed was that if a student needed a new wardrobe when he was graduating, or she was graduating, or baby equipment or anything in connection with a new job, (furnishing a new home and so forth) TELCO, for good alumni relations, could make that loan. They still do. They can't use tax-exempt funds for those reasons. But I would say 95% of Tuck Student loans are now through this DELC and it saved, I would think it is fair to say, ten to twenty million dollars [\$10-\$20 million] in interest to Dartmouth students cumulatively as a pool since it has been done. The aggregate loans now would have to be given to you by someone... I intentionally don't try and look over shoulders to keep abreast of all this, but I would think that the aggregate loans would be in the fifty million dollar [\$50 million] range...the total outstanding. It's very big stuff.

In any event, once we learned how easy it was to sell tax-exempt bonds, we decided we would put some in for facilities as well as for the loan corporation. This first issue in '82 was about half and half. They were sold while rates were still high. They began declining about two months after this issue was completed. It had in it the renovation of Thayer Hall, which is--to raise money to renovate a dining hall or a gymnasium or dormitory that has someone else's name on it, is one of the hardest jobs in any fundraising. You practically have to hope that someone dies and leaves an unrestricted bequest, some of which could be used for this, you know, particular use. So certain facilities borrowings were put into this offering, and the four point three million [\$4.3 million] was applied for renovation of Thayer Hall and renovation of the River Cluster dormitories.

Some of the money, about five point two million [5.2 million], was applied to academic facilities, including two million five [\$2.5 million] for work to be on done on the Hopkins Center, and a million three quarters [\$1.75 million] for renovations and lab facilities at the Med School...another very difficult kind of money to raise. So basically Dartmouth began borrowing money initially to finance the loan corporation. But, between dormitory renovation projects, new power plants (another impossible thing to get a gift for, virtually

impossible), or new steam lines, infrastructure kind of things--a lot of the achievements of the McLaughlin administration were through fundraising prowess and others were through, particularly these really grubby ones which McLaughlin had the courage to tackle, the sale of tax-exempt bonds.

The skills and the knowledge that Dartmouth acquired through a series of financings and re-financings--there was one in '82. There was one in '83, which was principally a refinancing, because interest rates had gone down quite drastically. Those gave the confidence to do the whole Medical Center move and finance it either through bonds that Dartmouth sold or through bonds that Mary Hitchcock Hospital sold to build a new hospital. The fact Dartmouth had been doing this for a few years gave the Hospital confidence to proceed because it had had a virtually debt-free balance sheet, too.

CARROLL: Where did McLaughlin find the money to raise faculty salaries, which he did across the board quite substantially?

PAGANUCCI: I think it was found through a combination of sources. There wasn't any one source. Certainly there was no borrowed money involved to pay salaries. That has to be in the annual operating budget, but it would have been successful fundraising, including good increases in the Alumni Fund that took place while he was president during the early to mid '80's. That was a prime source. Increases in the endowment, which permitted the rate of endowment spending to go up, and increases in the endowment from gifts. It would be a combination of those variables.

CARROLL: Why do you think the faculty were not more grateful for the benefits they were getting from this person?

PAGANUCCI: That's always been a mystery to me. I can't-- I mean, he never really asked for their gratitude. He was always very respectful to the faculty and tried, you know, to get their support, but there was almost an intuitive resentment of him which, personally, I have always felt was very unfair.

CARROLL: Very soon after he came on campus, he made the decision to reinstate R.O.T.C., which did cause a lot of animosity and I wonder what were the reasons--what were the reasonings behind the two different camps, pro and con, about bringing back R.O.T.C.?

PAGANUCCI: Well, I think, from those who wanted to bring it back, there had been about three major inputs. First of all, McLaughlin, himself, had been in the R.O.T.C. as a student. Secondly, he had been a student on financial aid. Thirdly, a lot of the Trustees of that era had served in World War II. They really believed, heart and soul, in having officers who had a liberal arts education, as opposed to a military academy education. So they felt there was a very real role in the Hopkins and Dickey traditions of Dartmouth being involved in R.O.T.C.

When there were certain faculty votes to abolish it in the late 1960's, the Trustee culture never accepted that. They always felt...and it went way back to that time. I think the first one was at the end of John Dickey's administration...when the units actually left. I don't know, but Kemeny had to wrestle with it a good deal, because there was a significant dichotomy between the attitude of the Trustees and their feeling of patriotism and their view of Dartmouth's role, and the attitude of the faculty, which was extremely anti-military. McLaughlin stepped into all that and he had the Trustee mentality, both because of his experience on Dartmouth's Board and his being an officer in the Air Force. He was a jet pilot, as you might expect. I am sure he is an excellent one.

CARROLL: Do you think he had any idea of the amount of animosity he would incur from the faculty by this one decision?

PAGANUCCI: Well, it is always very hard when you are the leader, you know, to apply hindsight which you don't have when you are trying to look into the future. And he certainly thought he had supporters on these issues, too; although, when he would look up in the heat of the faculty meeting, I think they were all somewhere else. But I don't think he anticipated... I think he revered the Trustees as a body of wisdom and as a very sound decision-making apparatus, and he loved their culture. And I think he felt they couldn't be that wrong. But the faculty had a very strongly opposed attitude.

CARROLL: The faculty had come through, most of them, Vietnam.

PAGANUCCI: And most of them had come through in the demonstration mode, I suspect, versus...although it is very hard to generalize. I am sure some were shot at in Vietnam, too.

CARROLL: I've got... I read the minutes before then and I see the faculty vote which, I believe, about one hundred and sixty-two against and three for.

PAGANUCCI: Yes. Right.

CARROLL: Against reinstating.

PAGANUCCI: Yes.

CARROLL: And then the next day, he comes out and says...he had to know that he was using up some of his capital because...

PAGANUCCI: Oh, yes. Yes. Yes. Yes.

CARROLL: So it must have meant a great deal to him.

PAGANUCCI: I think it did and I think it was based on patriotism. Now, the second or third very important reason, which I haven't gotten to yet, is that, to do the things that he was doing for the faculty, there were a couple of years when the financial aid budget was ratcheted down slightly. There was a risk that Dartmouth would have to depart from what is called "need blind" admissions. You know what that is. The availability of dozens or a few hundred government scholarships for R.O.T.C. students would have had a substantially favorable impact on that particular area of budget tightness. And that was another thing that made Dave McLaughlin so strongly in favor of it. He saw it as an important built-in source of financial aid at a time when all the other demands were making that a very high priority to obtain.

CARROLL: One of the first things he does is renovate large numbers of dormitories.

PAGANUCCI: Yes.

CARROLL: How had the dormitories gotten to such a sad state at this point?

PAGANUCCI: Well, I think there were several things that John Kemeny would have done if he could, and there were others that he, temperamentally, I think, was disinclined to do. I have commented previously on how Dave McLaughlin had to come in and, over his first year to eighteen months, clean out certain performers that might have been called "dead wood". They weren't carrying their weight. I suspect that personally John Kemeny was aware of this,

but his temperament was such that he did not want to make the difficult personnel decisions and, therefore, they weren't made. And people whom--I don't want to name by name, you have asked me that before--were allowed to continue in jobs where Dartmouth deserved a good deal better. So McLaughlin inherited that residue that had to be addressed. He did it.

I am sure John Kemeny would have liked to have improved the quality of life in the dormitories. The growing role of coeducation and the growing presence of the women during the seventies and the growing unhappiness over fraternity behavior also caused a number, you know, of special study task force commissions and so forth to recommend that social amenities be added to the dormitories. These were, in particular, treating them as clusters and putting meeting rooms, social rooms, event rooms, you know, in different clusters, and it cost a lot of money. But it all kind of came to a head under McLaughlin just like renovating the alumni gym and renovating Thayer Hall and the new power plant. It was really dirty fingernail stuff that most college presidents don't want to address. He took it on and, luckily for him, the source of tax-exempt money opened up so that he was able to finance a number of those things through that source, which had not been available to John Kemeny.

CARROLL: You touched upon fraternities and I think this might be the time to talk about that a little bit. It seems to me, going back even into the Dickey period, which is as far back as I have gone, there was constant questioning, some periodic questioning of the fraternities and what role they should play.

PAGANUCCI: Yes.

CARROLL: Was that true even when you were an undergraduate?

PAGANUCCI: Yes. Most of the fraternity era you quickly summarized just then has been addressed as unacceptable behavior, particularly in the use of alcohol. That existed on all campuses whenever there are young people and kegs of beer and so forth. It is not just a Dartmouth thing, but for certain reasons here, the isolated nature, the macho all-male image and so forth, perhaps it was aggravated here.

In the '50's when McLaughlin and I were undergraduates, and I think he led this during his year as head of the Undergraduate

Council, when he was president...as I said, it was sort of like the equivalent of student body president. There was a campus-wide election about what were called "restrictive clauses" in the charters of fraternities. That's long forgotten now; but, when we arrived here and when we left, many of the fraternities had a clause in their national constitutions saying that they couldn't admit Jewish members or Black members and there were probably other minorities that were excluded. And Dartmouth basically, after much debate and much lobbying back and forth, including the national fraternities who sent in, you know, their full-time executives to try and get the brothers to vote against these things. Dartmouth approved a long-term plan to abolish those restrictive charters.

When we were here, there were two or three virtually all-Jewish fraternities. That's because there weren't enough places available in the few unbiased national fraternities for all the Jewish members who wanted to join them and, by some strange coincidence, the few blacks in college tended--there were exceptions--but they tended to belong to the Jewish fraternities. That's, you know, very ancient. That's like going back to the period when women couldn't vote, you know. It seems as irrational...and the students voted that those clauses had to be abolished and a long, long time period. It wasn't six or twelve months. It was probably seven or eight years. But a number of the fraternities at Dartmouth have funny names now as locals because they were nationals that dropped out over those charter provisions.

CARROLL: Really. Is that like Tabard?

PAGANUCCI: Yes. Tabard. Bones Gate. These are two examples. Heorot. Those were all national fraternities that gave up their charters over those issues. Yeah.

CARROLL: So, when it came time to move, I guess McLaughlin and really Kemeny as well, there seems to have been a kind of rising awareness of the behavioral part of the fraternities that was deemed irresponsible.

PAGANUCCI: I think so. There was no difference between the Kemeny and McLaughlin perception about the need to cleanse, gentrify is probably the wrong word, and to upgrade the quality of behavior in the fraternities and make them more civil.

CARROLL: Did the arrival of women on campus on a permanent basis increase the need that was felt to control the fraternities in some way?

PAGANUCCI: Well, the very first set of problems... I guess the short answer is "yes". But, originally when they arrived, there were no sororities to receive them. When some sprung up and, you know, they were meeting in the basement of the President's house for a year or two because they didn't have a facility. Then it turned out, for understandable historical reasons, the men's fraternities had all the prime locations and it has taken twenty years or more to get a decent set of sorority houses. And I don't think there are as many openings available to women even now as there are to men, but some of the fraternities, all men's traditional fraternities, have gone co-ed. So there doesn't seem to be a big crisis over it anymore.

CARROLL: There came the movie "Animal House," which brought so much negative publicity to this and then there came right after that a very large article which appeared in *Esquire Magazine*.

PAGANUCCI: Yes.

CARROLL: Do you remember this?

PAGANUCCI: I remember "Animal House" very well. [Laughter] Of course, I knew the A.D. [Alpha Delta] House over many decades. One of my Wall Street partners was a stellar member of it. The *Esquire* article I must have read at that time, but I don't have a clear recollection of it. You have referred to it before.

CARROLL: It was called, "Hanging on to Tradition by a Jock Strap", and it is basically an indictment of male-bonding, if you want to, and that kind of behavior in the fraternities, mentioning several cases, especially one where a women who was probably legally retarded was raped many times in a fraternity house. This had brought up charges. This was under Kemeny. I wondered...the *Esquire* article evoked so much backlash on the part--national backlash against the Dartmouth fraternities. I wondered how accurate you felt it was or if you felt it was that kind of "Animal House" behavior was an accurate reflection?

PAGANUCCI: Well, I think that the "Animal House" behavior was aberrant. It wasn't normal. It wasn't every Saturday night; but, as always when you get into national spotlights, some extremist incident is taken to condemn mainstream activity. I am not saying that it was just "Look

the other way. Boys should be permitted to be boys" either. It was excessive, particularly as to the amount of drinking that went on. But, I am not familiar enough with that. When did that article... Do you remember when it was published?

CARROLL: 1979.

PAGANUCCI: It was that late. I must have read it, obviously, but I guess I just don't have any worthwhile things to say about it.

CARROLL: That's fine. I was wondering, how do you think the fraternities have changed in recent years? You don't hear this kind of criticism as much any more.

PAGANUCCI: Well, I haven't been hanging out in them much lately. I was on the board of my own for many years, which was a local fraternity. Kappa Kappa Kappa...since 1842 and never had these restrictive clauses. It has kind of fallen into certain behavioral problems. It got into a right-wing student versus left-wing student "cause celebre" and they expelled certain members and it was a very disillusioning thing. Since then, I haven't been participating on that board of directors.

Through the eyes of my son, who is Class of 1992 [Thomas Paganucci], I know that the administration when Ed Shanahan was Dean of the College, had imposed many, many tight regulations on when alcoholic beverages, principally beer, could be served. I know for a period of some time there, kegs, the wholesale way of getting it, were abolished and so that houses set up these sort-of secret, underground keg rooms. At that same time, Princeton, to control their students' drinking, outlawed cans, which the Dartmouth students were required to use, and they insisted that they have only kegs. The whole area is very irrational when you are trying to control students!

When Lee Pelton came here to succeed Shanahan, articles came out about how at Colgate he had been brought in to be the hired gun who abolished the fraternities. Many were very afraid that that would happen here. I sense that the much tighter rules have caused moderation in the behavior to some desirable extent. I am not an expert on this.

CARROLL: Were any of the new buildings built under McLaughlin, the Cluster Buildings and the renovations of the dormitories, an attempt to wean students away from fraternities?

PAGANUCCI: Very much so. They were trying to give a social alternative on weekends or week nights so that the students didn't feel they had to either belong to a fraternity or go to a friend's fraternity in order to have a relaxed time...whether it is a ping-pong game or football on television or pool game or drinking with some friends, or whatever. Another important part was the development of the Collis Center which, in the seventies, as the first gift from Charles and Ellen Collis, was intended to become a viable alternative, a student center for men and women who didn't want to join fraternities and sororities. The first version of it, for reasons I never fully understood, didn't quite work out. It was sort of splinter interest groups of students that took it over. It was never a place where mainstream, non-fraternity, students were comfortable.

With the much larger gift this campaign around [Will to Excel] from the Collis', I think, you know, in terms of the ambiance, they have really created a wonderful center there now. Whether anything more than little splinter groups of students are using it, I don't know.

CARROLL: The last thing I think we should tackle today, I wanted to ask you about Dennis Dinan, who had been the editor of the *Dartmouth Alumni Magazine* and was let go by David McLaughlin shortly after he took over.

PAGANUCCI: Yes.

CARROLL: That became a *cause celebre* for several people.

PAGANUCCI: Yes. Yes, it did.

CARROLL: Would you like to talk about the incident at all?

PAGANUCCI: Well, I will say a few things about it. In the first place, the Dartmouth administration's difficulties with that particular editor did not begin with Dave McLaughlin. There were a number of times when John Kemeny, in my opinion, was very close to firing Dennis Dinan. There is a basic dilemma for any editor who works for a college publication and feels he is totally insulated by his First Amendment rights, freedom of speech. Dennis was particularly...

[End of Tape 7, Side A -- Beginning of Tape 7, Side B]

PAGANUCCI: ...taken, if not obsessed, with the idea of being an independent free-spirited critic buttressed by the First Amendment, and accountable to no one. And neither of the presidents I worked for agreed with that view. With President Kemeny my recollection is, that there was an article to go in the *Alumni Magazine* that involved one of the founders of *The Dartmouth Review* in a disciplinary procedure that he had run afoul of. That was going to be reported in the *Alumni Magazine*. I believe the editor had promised the thirteenth President that he could see the article before it ran. Low and behold, the issue came out without that promise being kept, and that's when John Kemeny was at the end of his rope. However, as I've previously commented, he really disliked making, in my opinion, this kind of a personnel decision--not just for editors, but for administrators also. And therefore McLaughlin inherited this editor. I think, though, the editor's backers saw this as an issue of academic freedom. A lot of us didn't. We thought he was doing a disservice to Dartmouth by his desire to be so unrestrained.

CARROLL: Thank you very much.

PAGANUCCI: That's all right.

END OF INTERVIEW

INTERVIEW: Paul D. Paganucci '53, T'54

INTERVIEWED BY: Jane Carroll

PLACE: Ledyard National Bank
Hanover, New Hampshire

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CARROLL: This is the twenty-second of November, 1996, and I am speaking once again with Mr. Paul Paganucci. I would like to begin by asking you to characterize David McLaughlin's style of leadership.

PAGANUCCI: His style of leadership was, I would say, decisive. Mr. McLaughlin was a very affable person. He worked very hard at his personal relationships, and having people respect and admire him. He tried to build consensus in making decisions. He didn't rule in a truly traditional corporate C.E.O. way, where you might just give a lot of orders or ultimatums. He wasn't a military-style leader at all. He did attempt, through strong personal relationships and friendships to lead by building consensus on virtually every matter that he encountered.

He was, however, as I have previously commented, decisive in the sense that he was not long on patience. If there was anything that was a frustration to him, in my personal opinion, it was that matters that would be decided in the private sector within, say, two weeks to a month would grind on for nine months, twelve months, sometimes even two academic years here. And I think he found it difficult trying

to lead in that environment, where he was always anxious to get one achievement behind him and go on to the next one.

CARROLL: I had mentioned before and asked you to think about what you consider to be the major achievements of his time in office and I believe that you have some additional thoughts on that which I would like to hear, if you would.

PAGANUCCI: I think I only might have glanced off that subject before. I have made a few notes and I am going to leave them with you, but I will read them into the record just to get them in [Appendix G].

These represent a rough order of importance in my own opinion regarding his achievements; however, I have intentionally stayed away from things that changed and were achieved during his administration in the area of academic programs. I have tried to comment primarily on the areas in which I feel the most knowledgeable--the financial, the physical plant, the financing of things through tax-exempt issues, fundraising, or perhaps general governance matters. But I have tried to avoid particularly the areas of Dean of the Faculty or the Provost. I would think they should comment on what they think did or didn't happen in their areas.

In any event, in my own opinion, in the very rough order of priority, not precise, I would say that far and away the most important thing to happen during the fourteenth president's administration was the decision in 1985 to move the Dartmouth-Hitchcock Medical Center, particularly the Mary Hitchcock Hospital and Hitchcock Clinic, to Dartmouth's two thousand plus acre site in Lebanon, including the making the gift of two hundred acres of that land, about ten percent of the total, to the Mary Hitchcock Hospital as a major incentive for it to relocate.

The result of this was that the Dartmouth-Hitchcock Medical Center obtained a more modern, efficient medical center to serve its patients with ample expansion room for it's own future needs. A good example of that, for example, is the well publicized Vermont-New Hampshire helicopter rescue service that is run from there and which they have ample space behind their hospital to run that helicopter landing pad with helicopters coming in very close to the emergency room entrance and exit. It would have been absolutely impossible in the former location of the hospital to do that.

I was involved a few times when Trustees who had to come up on a very tight schedule for meetings could get helicoptered up one way or another to Hanover and they would usually call me and say "Where can I land?" I would say, "Well, the official policy of the College is that you have to land at Lebanon Airport." Well, they would about faint because the idea of a Trustee coming up by helicopter doesn't encompass landing in Lebanon Airport! It encompasses landing in the center of the green or something, which was not permitted at all. [Laughter] I think once I got permission for someone to get in on the edge of Chase Field when there was no practice or anything. But, helicopter traffic coming in and out of the old Medical Center was not feasible, and this is just one example, but a pretty visible one, of what the move has made possible to them. Perhaps much more important on an everyday basis is the significant lowering of their costs per in-patient versus in a very inefficient old facility.

I think the second major decision which he was involved with, but as Chairman of the Trustees as opposed to President of the College, was the decision to buy that two thousand acres in Lebanon for the bargain price of one point five million [\$1.5 million]. When that was done in 1981, that was a complex and difficult decision. It had the strong joint support of both John Kemeny as president at that time and David McLaughlin as Chairman of the Trustees. It was an extremely unorthodox decision. So that again was an absolutely critical decision that will favorably impact Dartmouth for years.

A third major decision which relates to the other two was the one to buy the Mary Hitchcock's Hanover properties for twenty-five million dollars [\$25 million], which we financed through a sale of tax-exempt bonds and through the arbitrage profits to produce enough basic income from the transaction to pay off a significant portion of the total debt, which meant that Dartmouth got the properties at, say, one-third the price or half price. It was particularly a bargain due to the way the mechanics were set up. Acquiring those properties opened the way for Dartmouth's own orderly development at the north end of the Campus, which we have already seen in the five years since the Hospital moved. You have seen now the Sudikoff Lab Building with it's three point two million [\$3.2 million] Sudikoff gift going into the old mental health center with great renovation. The Native American House, which is now occupying the site of the old Occom Inn, which had been bought by the Hitchcock Clinic so that it could be a player in the real estate

power struggle. But The Clinic never would have sold that or swapped it with the College for other land on the Lebanon Road if the move hadn't taken place.

The new psychology building, the foundation now is being put in on the site across the street from the old main entrance to the Hospital. It is a twenty-five million dollar [\$25 million] academic building for which there wasn't any real felicitous site. In the old Campus, the relocation of the Dragon Society, which is making possible the building of the major Berry addition to what would be, I guess, the Baker-Berry Library. Though the College already owned the land Dragon went to, the absence of the Hospital, so that they are looking out and can see the hills of Vermont and so forth, I am sure was a factor in encouraging them to move.

So those three inter-related things were extremely important. Of course, buying the Hospital properties significantly reduced what could be called "traffic blight" in Hanover. One-half of all the cars coming through town in most days in the mid '80's, came from either the Hospital or the Clinic or their patients, visitors to patients in the Hospital and service people and so forth and so forth. So those three are related. Those, I think, are achievements that should stand not only for decades, but for a few centuries in terms of changing what Dartmouth College can do because it doesn't have a major institutional rival vying for every inch of space that each of them needed throughout the recent years.

Another very major achievement that Dave McLaughlin accomplished in his early presidency, the early period, was the negotiation, first with the Hitchcock Clinic and then with the Mary Hitchcock Hospital of revenue-sharing arrangements. So that the Dartmouth Medical School's financing was stabilized and pulled more in accordance with the way other academic medical centers financed their teaching medical school component. Because of a lot of complex history here in the way they have grown and the way they had been so weak for so long with the two-year medical school, both the Hospital and the Clinic for years were permitted to operate within an academic medical center without having the patients pay for any portion of the cost of the Medical School, the research facility, the teaching facility... Though the presence of the academic component was probably the principle reason why people would rather come to this hospital than any other reasonably available hospital, particularly where the local choices were all in the community hospital category. It was just a different league.

The Kemeny approach was never tough enough to put fear into the service providers. With the Hitchcock Clinic, Mr. McLaughlin made it clear early in his presidency that, if the Clinic didn't begin to share in the cost of Dartmouth Medical School through a portion of the patient revenues, Dartmouth would, in effect go into competition and would open up it's own clinical service. Staff it with it's own doctors who would have the appointments at Dartmouth Medical School, which Dartmouth controlled.

There was a model for that in that, again for complex historical reasons, the Department of Psychiatry had always been a department of Dartmouth Medical School, not of the Hitchcock Clinic. So, within that one area, Dartmouth College as an entity through the Medical School had been serving clinical patients anyway. So the Clinic knew that, when Mr. McLaughlin indicated it would be the case if they didn't pick up a bigger share of the load, he wasn't kidding. Within twelve to eighteen months of his becoming president, the agreements were signed!

Secondly, within a year, the Hospital stepped up and did its share from patient revenues and that was partly because the Clinic had already done so; the domino theory came in. And those two moves actually stemmed the losses, which had been at a terrible stage in the late '70's and the mid-'70's, of the Dartmouth Medical School. In my opinion, they assured the long-term continuance of the Dartmouth Medical School. There was serious doubt, though never public, in the mid-'70's as to whether Dartmouth Medical School could be continued as a viable entity. Dave McLaughlin's decisive leadership style and his good understanding of finance and business concepts enabled him, when I was acting as his negotiator for these things, to get these things accomplished. No one ever talks about that anymore. That has been completely forgotten, but it is very important in the history.

As a fifth major accomplishment, I listed the introduction of social alternatives on Campus to lessen the role of fraternities and sororities. This is something the Trustees were very supportive of and encouraging. They wanted it as a high priority. Part of it was in response to the increasing presence of women in the classes and in the social life and the desire to have things on a more civil, less rough-and-tumble basis. This was manifested through the clustering of the dormitories, which was a very big project. The addition of not just facilities and meeting rooms, common rooms to

the clusters, but of social programs taking place. Encouragement to young faculty to live in dorms in some cases. The upgrading of unsatisfactory facilities and dormitories, particularly the River Cluster and the Choates. These never should have been built in the substandard way that they were in the '60's and which other Presidents had sort of nibbled at improving. Then McLaughlin really came in and bit the bullet and did the unpleasant stuff.

In addition, part of improving residential life was the construction of new dormitories. There were four, at least, during the McLaughlin Administration. Morton, Andres and Zimmerman, which had with them the large Brace Commons Room and then there was a new dorm behind the Thayer School. One of two newer dorms there and I'm embarrassed, but I can't remember the name of it. It isn't Maxwell, but it is the other one, built after Maxwell [Channing Cox]. It's mostly suites with kitchens, you know, and separate bedrooms for the students.

His sixth major achievement I list in three parts. It is fundraising and increasing the assets of the College through the endowment growth--partly investing, partly fundraising, but the successful completion of the Campaign for Dartmouth which ran from 1977 to 1982, raised two hundred and eight million [\$208 million] versus the goal of one hundred sixty million [\$160 million]. Superb fundraising was a hallmark of the McLaughlin Administration. He feared nothing in that area.

He had a lot of courage and aggressiveness and, yet, people liked him. He was affable and he had nerves of steel. So he was a very good fundraiser. As I have commented also, the Alumni Fund showed very good increases during the early 1980's, which eased a lot of the budget stringency of the '70's.

The second major accomplishment is that he led and played a very important role in getting a federal grant of fifteen million dollars [\$15 million], which doubled the size of the Thayer School and really made it into a small, but state-of-the art engineering graduate and undergraduate program. It was, I am afraid, pretty marginal prior to that time. This fifteen million was a controversial federal grant because it didn't go through all the peer review procedures. Every school I have known of has had a very hypocritical attitude toward them. They criticize greatly other schools that don't go through the peer review for obtaining federal money, but then they all lunge at it

when they have a chance to get some, which is what was done very effectively by Dartmouth.

CARROLL: Do you remember what kinds of additions were made at Thayer at that time?

PAGANUCCI: Well, it is the whole eastern half of the building. It more than doubled the space in the building. They built it around a sort of courtyard there, plus the whole new entrance to the building, which added significantly to the space, provided area, and many classrooms. If you go down there, any of the faculty members could show you the old building and the new building. It is a dramatic change.

This third thing...the endowment performance from 1981 to 87, on July 1, 1981, the Endowment had a market value of two hundred fifty-four point one million [\$254.1 million]. Six years later, June 30, '87, which is the week I think David McLaughlin left the presidency or within a week or two of his leaving, the market value was five hundred and ninety point two million [\$590.2 million]. So, during the '80's, which was a period of very good market performance--thank God, like the '90's--the endowment market value more than doubled.

Now, that is a combination of very good investment performance; particularly the performance of the private investments--things like venture capital and so forth that had been started in the seventies--and additions through the gift route. Some of the pledges on that 1977-1982 campaign were being paid while he was president.

CARROLL: When the endowment made the five hundred thousand...five hundred million mark, was there any big celebration?

PAGANUCCI: No, there wasn't. No. There wasn't. These things are sort of very quiet. It's like a glacier moving. [Laughter]

Seventh, I mentioned for achievements the planning and construction of major new facilities; the Nelson Rockefeller Center, the Berry Sports Center, the Hood Museum, the Borwell Building at Dartmouth Medical School and the new Thayer School facility previously mentioned. Some of these are in the category that I have previously talked about; namely, one president gets a lot of

the fundraising for a project and the conceptualizing done, and it is built during another administration and then, you know, it is a question of which president should get credit.

Actually, they both should. John Kemeny and Dave McLaughlin: for the Rockefeller Center both deserve credit. The Berry Sports Center, I think was begun under McLaughlin and dedicated right at the end of his presidency. That was a sort of "solo" in his administration. The Hood Museum began under John Kemeny, was planned with Leonard Rieser and John Kemeny, and then dedicated under Dave McLaughlin. The Borwell Building was something that McLaughlin did the heroic fundraising on (the research building at Dartmouth Medical School), but I am certain it was dedicated after Freedman became President.

The eighth item I mentioned was McLaughlin up-graded faculty salaries and quality of life, including in 1982 the new Faculty Club, which is called the Choate House. It has since been closed. It never could stand on it's own feet financially. Secondly, the addition of numerous endowed chairs, both in the undergraduate college and in the professional schools.

I mentioned as a ninth accomplishment, and it probably should be much higher in priority, the 1982 to 1985 tax-exempt bond financings, which was initially, as I mentioned, the innovative Dartmouth Educational Loan Corporation with low-cost, tax-free borrowings which has saved millions in interest for Dartmouth students. Secondly, to pay for the long, deferred up-grading of major physical facilities. More on that to come.

The hospital properties, which we have talked about twice now, and it was the earlier technology in learning how bond financings were carried out in '82 and '83 that gave Dartmouth the courage for the big decision in '85 to buy those hospital properties. And the financing of the four new dormitories that I mentioned in the eighties was through tax-exempt bonds.

The tenth achievement, I listed as upgrading of run-down major facilities. These are a college president's nightmare. There is no glory. There is no glamour. There is no applause. Therefore, presidents probably going back to Ernest Martin Hopkins tend to let these things slide and have a make-do attitude. "Let's patch up the floor in the dining hall and it will go for another five years." And this and that. They don't like to go out and do almost impossible

fundraising projects where people resist getting their names or there is no place to put a name on a dining hall renovation or whatever.

But, in any event, under McLaughlin, major things to improve the infrastructure and the quality of life were done in this area. The modernizing and up-dating of Thayer Hall, the Alumni Gym, which is a totally different and much more efficient building now than it was, and the power plant. That is probably at the bottom of every list as an unglamorous, horrible project. The upgrading of the numerous dormitories, some of which we have mentioned. The modernization of science labs, both for equipment, for ventilation, for the upgrading of computer facilities, which has to go on all the time.

Something that was pioneering at Dartmouth, which I am quite certain took place principally under Dave McLaughlin, was the hard-wiring of the dormitories--excuse me, of the campus, but particularly of the dormitories so that computer literacy was greatly enhanced. Similar to that, Item Eleven, I have is the program to put a personal computer, an Apple, in the hands of every in-coming student because of the high traditional computer literacy and sophistication at Dartmouth. We were a logical school to pioneer that nationally. No one claims that Dartmouth was the very first--I don't even know if they know who was the first, but I suspect that we were in the first ten or twelve to do something. Today, this is probably followed by half of the schools anyway.

Then, as somewhat lower priorities I list as item thirteen, improvements that he achieved for outdoor life. I had two things there. Snowmaking equipment for the Dartmouth Skiway. That sounds kind of mundane, but the Skiway was dying and it had to have something done. We had had a spell of virtually snowless winters. It had lost money for maybe eight out of ten years and it's most loyal following had drained away, but getting snow-making there has got it back into heavy student usage. You see those buses in front of Webster Hall in the wintertime and shuttling up there. There is no other college that has anything like that! Secondly, we talked about the small addition of the acreage of the Second College Grant, the area called the Hell Gate Canyon.

Plus, he backed another thing that the neighbors were upset over, but there was a home on Balch Street that we purchased while he was President that had behind it a field of about seven acres. The

idea was that the seven acres, in some future Dartmouth era, would be used for playing fields, possibly for other things. The neighbors have tried to put in long-term legal restrictions to prevent that. It remains to be seen how that works out, but, again, that is another alternative Dartmouth didn't have right a quarter mile or so from Dartmouth Hall as opposed to even, you know, down by the airport south of Lebanon.

The next to the last thing that I mentioned is that he devoted increased attention and energy to Dartmouth's role in the State of New Hampshire, particularly in relationships with the Legislature and with the University of New Hampshire. He tried to lavish attention on them and build a cooperative feeling. Other Dartmouth Presidents had pretty much ignored the State thinking it was a drain on energy and they preferred to play in the national arena. McLaughlin had the energy to try and do both! That's what it amounted to.

Lastly, I say that he maintained a high personal visibility on campus. He walked persistently wherever he went. He spoke to students. He was readily accessible, following the tradition that Kemeny had, too, of once a week office hours where students came in to see the president. He went to fraternities. He had breakfast with sororities. He was all over the place all the time, because he had the energy and this was particularly important with students and alums. You previously talked some about his difficulties with the faculty. But I think with the administrators, he was very popular, too. So that completes my list and I will just give it to you if it helps.

CARROLL: That's wonderful. I was curious about the power plant. I also remember--did he also have some change of the water treatment plant as well, which was half owned--forty-eight percent--owned by Dartmouth?

PAGANUCCI: I was a director of the Hanover Waterworks Company, as it's named, from I guess 1976 or '77 until I resigned at the end of 1985. From the time it was formed in the nineteenth century, Dartmouth owned 53% and the Town of Hanover owned 47%. So, it is an unusual arrangement, but it has worked very well over the years. I would say that for the whole period McLaughlin was President, unless something big happened in the eighteen months after I resigned and he continued as President, I don't think there was

anything radical going on, or any major improvements in the water works facilities.

CARROLL: And the other thing that struck me was, it was during his administration that the Walter and Constance Burke research funds were established by Mr. Burke. I was wondering what role McLaughlin had had in that, in persuading Mr. Burke to give what is basically fifteen thousand dollars [\$15,000] to each new faculty member as start-up research funds?

PAGANUCCI: Jane, my memory is going to be a little different from the quick summary you just gave in your question. I think the first grant to Dartmouth to enhance new faculty options and recruiting and so forth was from the Sherman Fairchild Foundation, supplemented by a gift from the Burkes. I think. We need to have someone go into the books and go into some of the history--and in that period, from perhaps '83, '84, when it is my memory that it began, up through now, it is still going on, there have been a series of grants. I think some from the Foundation, some from the family.

Mr. Burke was Chairman of the Selection Committee that recommended Dave McLaughlin to the full Board of Trustees to be president and they had, all the time I was at Dartmouth, a warm and admiring relationship. I have no doubt that Dave played an important role in the decision to make that program available, but I also have no doubt that the Dean of the Faculty would have been an equal partner with the President in any presentations made to the Burkes to get this to the Foundation. The Dean of Faculty, I think, was Hans Penner. Yes.

CARROLL: I think it is time we really need to talk about shanties and divestiture and that whole problem, really, that arose in '84. It began in '84 and culminated in '85. It started, as I understand it, in 1984 when the Assistant College Council, Thomas Castari wrote that the College's holdings were not consistent with the 1978 vote to support the Sullivan Principles. After that announcement, then questioning begins which culminates in the building of the shanties. Does this ring a bell?

PAGANUCCI: Well, I think the history you just recounted is incorrect.

CARROLL: Okay.

PAGANUCCI: The great crisis concerning the shanties occurred in the winter months of 1986.

CARROLL: January, '86. That's right.

PAGANUCCI: And they were built initially in November of 1985 and I don't think their being built had anything at all to do with compliance or non-compliance with the Sullivan Principles.

CARROLL: Oh, really?

PAGANUCCI: This is my memory of it. The comment that you have just read from Tom Castari, who worked with us and who left the College, as I recall, in 1983...though it could have been in '84...it was a year plus, I would say...maybe more like two years before I resigned. I think that comment is taken out of context. I would like to see the whole paragraph or whatever it is that led him to that comment because, those of us who were...

[End of Tape 8, Side A -- Beginning of Tape 8, Side B]

PAGANUCCI: ...what you hear... Those of us who were involved in monitoring the investments of the College, which, on a day-to-day basis were Bruce Dresner, the Director of Investments, and myself, had given explicit instructions and, with the approval of the Investment Committee, to all of Dartmouth's external managers who decide specifically which stocks are bought and sold. It is not made by us in the Investment Office. It is made by the external managers who were firms at that time like T. Rowe Price, Delaware Investment Management, Pioneering Management of Boston. Those were the principal equity managers. They were under explicit instructions not to buy any common stock of a company that didn't comply with Sullivan Principles and they knew that they could be terminated in what, to them, was a very valuable investment management relationship if they didn't follow those instructions.

So, to the extent there was a company that wasn't in compliance, it's... I think it is a technical violation. It was because maybe the company had bought some other operation that had a small activity in the Republic of South Africa or some such thing, but there was never any intent not to comply with these very bland principles and it was very easy to comply with them. It wasn't a big deal at all and,

therefore, I think once it was known that the Trustees backed them...there was also an advisory committee on investment responsibility of faculty, alumni, and students and so forth and they back them. The holdings were made readily available to everybody. There were no secrets and, therefore, I don't think there was any significant level of discomfort. There were elements as the whole area evolved of wanting to totally bar holding in any companies that were doing business in that economy. momentum in the mid 1980's to try and compel

That thinking was gaining momentum in the mid-1980's to try and compel total divestiture as opposed to just principle compliance. I don't recall that it was a really burning issue at Dartmouth though. There probably were some demonstrations with a few people meeting... My memory, which I haven't refreshed at all or anything, is that there was a crack down in South Africa by the government on the Black leadership. And whether they did something more cruel to Nelson Mandela or whether there was another civil rights leader who was treated in a cruel way, I can't specifically remember.

There was an incident in the '70's that kind of brought the whole thing on to the U.S. radar where a leading civil rights Black person, Steven Biko, was killed in jail and that, naturally, resulted in world concern. But my memory is that the government did something hostile around the fall of 1985.

CARROLL: I believe there had been riots in the Black townships that were put down very cruelly and, at that point, Archbishop Desmond Tutu was on a speaking tour of the United States asking, and rather demanding, that the Sullivan Principles be obeyed to the strictest letter of the law. I think that began...

PAGANUCCI: Okay. That would have made sense and the riots and quelling of the riots in an inhuman way, I think, was what led to the unrest. It wasn't anything as mild as non-compliance with the sort of tempered set of principles. So I will stop there.

CARROLL: Do you remember what prompted the building of the shanties in the middle of the Green?

PAGANUCCI: Well, the thing that prompted them to be built at that particular time...let's come back to where they were built...was a Trustees' meeting. It was the weekend of the fall gathering of the Board of

Trustees and, traditionally, their presence in town has been the time when students feature matters of interest on their own agenda. The shanties...well, I think that it was the Trustees' meeting as opposed to any specific happening in South Africa or in the United States that led to them happening that weekend.

There were two big mistakes made that weekend that caused this thing to escalate into a national and international controversy. One is that they never should have been permitted to be built in the middle of the Green. It is not an appropriate place for political statements of any kind, no matter how humane. They should have been built somewhere in the area of the Collis Center, in my opinion, or Robinson Hall where other student demonstration statements have taken place and where students have full rights of expression. Everyone else does. But, it is not quite the centerpiece, focal point.

The second mistake was that the shanties, when put up, should have been required to be taken down by nightfall. They violated many town ordinances and certain campus rules, but Ed Shanahan, who was Dean of the College at that time, equivocated. He let them stay up. First of all, he let them go there as opposed to the President, who had second thoughts but he didn't countermand his Dean. He let them be built there and, secondly, he let them stay up overnight. There was a number of us who thought it was a mistake. We did not foresee, any of us, the tremendous international controversy that it would become or I think we would have stayed up all night breaking them down ourselves.

CARROLL: That's interesting. I thought, as I understood it, the shanties went up during the night and it was a time when David McLaughlin was away on a campaign tour, going through and trying to raise money. And the first...the newspaper, the D, that first announces that Ed Shanahan wakes up and he gives them twenty-four hours to dismantle...

PAGANUCCI: Yes.

CARROLL: ...and then Mr. McLaughlin returns and says, "No." He countermands that order and he says, "Let's talk about this."

PAGANUCCI: Can you tell me where you got this version?

CARROLL: From the *D*, from the student newspaper.

PAGANUCCI: And do you remember the dates of the issues?

CARROLL: All I know is November 1985.

PAGANUCCI: Dave may have been out of town. I can't, you know, remember the precise events. I haven't reviewed any of my calendars. I know that the faculty got involved...members of the Arts and Science faculty...at a very early stage in support of the student demonstrators. That may have led both McLaughlin and Shanahan to have extended by a day or two the life of those things, but that was a very grievous error with the advantage of hindsight. It never should have been done.

And, as opposed to the great student unrest of the 1960's, especially 1968 and 1969, when Dartmouth was late in being hit with the administration building occupation, it was very early in the shanty movement and the College was not really prepared with a set of planned reactions on how to address it and how to deal with it. By the time the building [Parkhurst] was occupied in 1969, there was a very bloodless way to get a court order and get the state police involved and evict people and take them to the jail and that was handled with great facility and little international attention because we were in the second or third wave.

With the shanties, we were in the first wave. I can remember reading a San Francisco paper. I was out there at the time when was one built at Berkeley, well after the one at Dartmouth. The Chancellor, who happened to be a Dartmouth Trustee, Mike Heyman, made certain that they were down by nightfall! And I think he had to have dozens, if not hundreds, of police to do it; but he did it. That became the way to deal with them. I would not dispute whatever was reported in the *Daily D* about what Shanahan did, what McLaughlin did. In my own opinion, you know, I think Ed Shanahan never should have let the shanties be built there, and maybe he didn't know. Maybe he didn't know, but they shouldn't have even stayed up half a day. But that's said with the advantage of hindsight. They seemed quite benign at first.

CARROLL: I am wondering what...do you remember what the goals were behind the building of the shanties?

PAGANUCCI: Well, it was to bring attention to the plight of the Black majority in South Africa. There is no question. To kind of show what horrible

living conditions they had, without plumbing and with...just the barest rudimentary of a board building. Later, as the winter progressed, they were insulated and all kinds of amenities added, again in violation of lots of rules.

CARROLL: Do you remember then how the shanty incident ended?

PAGANUCCI: Well, I was very fortunate in that, first of all, during November and December (and that November Trustees' meeting was occupied largely with matters about moving the Medical Center) that was the month leading up to the big faculty meeting on December 2nd and the special Trustees' meeting a week or two after that. And the whole idea of that change in the law that was taking place and the need to make the decision about moving, buying the hospital properties, moving the Medical Center, building a new Mary Hitchcock Hospital, which the Trustees had to make.

The Dartmouth Trustees had some very tough decisions about helping the hospital with fundraising, this sort of thing, because the hospital didn't have confidence to make that move on it's own. Those were preoccupying the Dartmouth Trustees. They were probably, as you heard from my earlier comments in this talk, it was probably the biggest decision in that area, non-programmatic area, that the Dartmouth Trustees had to make within memory. In a programmatic way, coeducation would be it. But, let's say they were the two most important decisions of the Dartmouth Trustees in the twentieth century.* So they were preoccupied with that and those were not easy decisions and, therefore, they saw, I think, initially, the shanties as something they would deal with once these really big problems were worked out.

CARROLL: Do you remember the end of the shanties, when they were attacked?

PAGANUCCI: Well, sometimes it is better to be lucky than smart! I resigned around the weekend the shanties were built. The bulk of the Trustees did not know that I was leaving Dartmouth, but two or three, I suspect, did. McLaughlin did. Walter Burke did. And all of the Trustees were told at that same November meeting, and then I was in the process of wrapping up and winding down at the same time. Because the biggest thing that happened while I was the financial officer was coming to a climax the same month I was leaving. That's mentioned in that speech that I gave you. It was by

* Emphasis added by narrator upon rereading.

then announced that I was leaving. And so when the Christmas break began in early December, the students went away. The shanties were kind of forgotten about for a period of time.

I think there was a group that occupied them and kept a presence there, a very dedicated, small cadre of students and some faculty. Again, not a great deal of attention was paid until perhaps the first or second week of 1986 when I was back working for a big company in New York City.¹⁴ I opened the *New York Times* and saw this huge article about Dartmouth and the shanties. And I was out of the firing arena by then and I was just another interested bystander in a way. So I was not here when they were attacked. I was not here when they were finally taken down. I think the Town of Hanover got very belatedly involved. And I was not here when all of the trials of the students for various violations of rules and laws took place. Thank God!

CARROLL: Why do you think that David McLaughlin made the decision to let the shanties stand for so long?

PAGANUCCI: I think that, at the time, he did it because there were faculty members in the protest wanting to keep them up. And they were out there daily and they were calling him up. And, because of the faculty involvement and his desire to have the favor of the faculty where, as you know, he never had a level playing field on which to be evaluated. I think that the permission to drag it out was because of the faculty involvement. Certainly there were no Trustees who wanted to keep them up. I don't think there was any pressure from anyone else except students and the faculty members to permit them to stay.

CARROLL: When they were finally--when the end comes, they are finally attacked by members of the Dartmouth Review. And that brings me to my second topic, which is really The Review.

PAGANUCCI: Yes.

CARROLL: I was wondering how big a presence was The Review in your estimation on the campus in the '80's?

PAGANUCCI: Well, to the national press and to the alumni and to particularly the thirteenth president, followed by the fourteenth, it was a very major irritating presence. However, to the students, such as my son who

¹⁴ I went to work for W. R. Grace and Co.

was Class of '92, I think they always regarded the small handful of students working on The Review to be a far-right-wing fringe group that had very little influence on the opinion of other students.

CARROLL: When you look back at The Review and the issues that it was bringing up on campus, issues often times questioning the skill of certain professors or the relevance of certain departments, is that a useful exercise to have?

PAGANUCCI: Well, I think in talking about The Review, you have to kind of try to divide the philosophy and the politics that it was representing, the niche and the spectrum that it came to advocate, versus the tactics. The tactics they followed were outrageous in the eyes of even the conservative-leaning people who had sympathy with their political philosophy. The attacks on professors and attacks on John Kemeny in many ways, in particular, were considered unfair and outside what would be considered acceptable propriety.

The philosophy they represented has to be taken, I think, much more seriously in terms of they were the beginning of a strong national movement that I think led to the election of Ronald Reagan in 1980 and the blossoming of scores of right-wing conservative newspapers on other campuses. And they became a sort-of icon or model or flagship, despite the outrageous propensities, because the philosophy of America's younger generation was moving to the right for whatever combination of reasons that were operating. And, at the same time, they were in an environment where many of their professors were the flower children of the '60's who were in their forties or early fifties in the '80's, who were far more liberal and far more left-wing than were the mainstream of the students.

So there was a tremendous tension that was inter-cultural as well as inter-generational, that spawned the political niche in which The Review and its emulators all thrived. The tactics were another matter. I wish they had been more, you know, polite and a little more even-handed or a little more mature.

CARROLL: Who do you think was the targeted audience for The Review?

PAGANUCCI: Well, in my opinion, it is designed to criticize and irritate the political correctness of the Dartmouth faculty, administration and, to some extent, the Trustees versus the alumni audience in particular or the

right-wing culture of the country, which basically could be summarized as disliking political correctness.

CARROLL: I am curious...one of the concerns of the faculty was that President McLaughlin, they felt, was not handling the outrageous claims in The Review, not addressing them, and I am wondering what your opinion was on that and how he should have handled it.

PAGANUCCI: I was never aware of any criticism about his handling of The Review. I know there was some disciplinary case problems and accusations of lack of uniform treatment between right-wing students and left-wing students, liberal students, after I left. I think John Kemeny and his publicly known politics was an avowed liberal person, and Dave McLaughlin was an avowed "middle-of-the-road" person. I suspect he was a Republican, but he was never actively politically involved that I can recall for candidates; yet, he would tend to have a more even-handed, less adversarial attitude than John Kemeny would toward to The Review.

I don't think The Review attacked McLaughlin with the same vitriol that they did apply to John Kemeny, too. But I am not aware, and it is hard to use these generalities because there is always some member of the faculty or any other group, as smart as they are, that will give contrary opinions on something. But I never knew of Dave being accused while I worked with him of tilting in bias and favor to The Review.

CARROLL: I haven't been...the claims of the letters to the editor that were being written were mostly that they wished for him to stand up and sort of admonish The Review and he did not do this.

PAGANUCCI: There again, you know, if someone would go talk to Provost [Lee] Bollinger... When you start admonishing newspapers, you step immediately upon some very explosive First Amendment issues and the joke is about getting into a fight with a skunk and... [Laughter] any college president tries to avoid entanglements with newspapers, campus and otherwise. So the fact that a letter to the editor says that doesn't mean that the president is wrong in not doing that.

CARROLL: We had just touched upon one of the major points that you said was one of the achievements of his administration which was the raising of the faculty salaries and I was wondering what prompted

the felt need to raise salaries across the board the way that it was done.

PAGANUCCI: I think the principle reason is that...well, there is a lot of history to it. Faculty salaries traditionally were low compared to other elements of society where an equal amount of higher education was required--whether it was a lawyer, architect, doctor or whatever. Professors were generally paid well, but way below what those others earned as professional groups. Catch up was followed in the '50's, '60's, the Dickey era years. Then, during the Kemeny period because of the financial stringencies we have previously talked about--high inflation, poor endowment performance, difficulty raising money due to bad stock market performance--the combination of things led to the fact that faculty salaries everywhere, not just at Dartmouth, could not keep up with inflation during the 1970's.

I remember that there was a period during the Jimmy Carter era where, in trying to control inflation which was running 9%, 10% at that time, he asked for voluntary compliance by large employers that they not be permitted more than a 6% increase in aggregate for all employees and Dartmouth decided to follow that in a year when...let's say that was three or four percent under inflation. It wasn't that specific drama of a presidential request every year, but it was just impossible for salaries to keep up with inflation. So, when you entered the '80's, there had been a significant lag. The very richest schools like a Princeton or a Harvard may have stayed a bit ahead of Dartmouth; but, as a group, they all fell behind.

CARROLL: There was not the instance of losing out in recruiting what one considered the best candidates to other institutions because of salary?

PAGANUCCI: I have never been aware that Dartmouth has lost candidates from the top list on any across-the-board basis due to offering salary levels. It is my impression that we would lose people because of the kind of career that someone wants. I mean, if someone wants to be a famous researcher and so forth and they can get the position, they are apt to go to Cal Tech or M.I.T. or Stanford as opposed to coming here. But, if someone wants what Dartmouth represents, which is a combination of top classroom experience with fabulous students, then I think they would like to come here. I don't think it is an auction with just money on the line.

CARROLL: How did they find the money to finance this one-time bump in salary?

PAGANUCCI: Which year are you referring to, Jane? Do you know?

CARROLL: 1986 actually is when they announced that Trustees reported that faculty salaries must improve.

PAGANUCCI: Yes.

CARROLL: And that they were going to do a one-time bump.

PAGANUCCI: Yeah. Have you got a date on that?

CARROLL: The spring of '86 is all I wrote down.

PAGANUCCI: Alright. That was a few months after I left and I think as soon as I turned my back, they increased the amount they could spend from the endowment. [Laughter]

CARROLL: I see.

PAGANUCCI: Which means they liberalized the spending formula. We kept it at around 4.9% of a three-year average lagged by a year and I think, if I remember correctly, it was raised for that one shot infusion maybe to 5.5% or something, which can produce a lot of money. Of course, it has never gone down at all since then as far as I know!

CARROLL: The last thing I was curious about is what prompted your departure from Dartmouth in 1986.

PAGANUCCI: I didn't leave out of any discontent at all. I loved the job and I enjoyed very much working for Mr. McLaughlin. I thought we had an ideal relationship. It had absolutely nothing to do with it, but I had worked like a second lieutenant on a general's staff for a big company in New York City after I got out of law school. The name is W. R. Grace & Co. It was run then by a grandson of the founder [J. Peter Grace]. When I first met him in 1954, he was forty-one years old and he and I kind of hit it off, and I wound up working two summers as a statistician for him. Then he took me off the market at the end of the last summer and I never interviewed any law firms.

I worked there for almost four years when my two classmates and I resigned from our jobs and started the Wall Street firm. He vehemently tried to keep me from doing that, and Peter Grace is a very persuasive individual; however, we had all made a pact with each other. We all resigned the same day so I had to go through with it and he was also very forgiving. I loved the man because, after a violent battle for weeks about whether or not I would leave and I finally left, the first week we were in business, they began doing business with our little firm when it was very...this gigantic empire was feeding us survival money, in a way, see. They kind of assured our success. The first few months are the most important.

So I had been made...when I was in my early thirties, a personal trustee for his nine children and that kept me close to the family for many years. When I wound up at Tuck School and we had a big enough auditorium after Murdough Center opened, he would come up every year to talk to the combined student body and usually I would go back on the company plane with him to New York. Through that and the trusteeship, we stayed, and my being on the corporate foundation board, close friends. You know, he would call up quite a bit.

When President Reagan asked him to head the Grace Commission, all of a sudden he found he needed some people from non-industrial companies to be on it, particularly academics, labor leaders and women and so my phone rang to provide someone they thought was in the first category. So I was added to the Grace Commission. And that was in '82, '83 part of '84 and that enabled me to see him much more. I did some work on that although, at the end of '82, I think it was, I had permission from Mr. McLaughlin and the Trustees to work half time for six months for the Grace Commission and I wanted to do that. Mr. McLaughlin, in November of that year [1982], had a mild heart attack and that permission was rescinded. I didn't ever get to do it.

But, again, I used to talk to Peter Grace a lot on the phone. Finally, in 1984, he called me. I was in California on a Dartmouth trip visiting venture capital firms and trying to decide on some new ones to commit to and he basically said, "If I offer you one of the really top jobs in the company, will you come back?" I said, "Well, let's talk about it." So he wound up doing that. It took me almost a year, the year '85, to get unraveled up here and to get an employment contract worked out. But he offered me so much in the way of

salary and stock options and excitement, too, which I will come back to, that I resigned.

I had not thought I was ever bored with the exciting jobs at Dartmouth. However, he said to me, "Look..." This big company had a fleet of it's own planes, you know, that could fly long distances without stopping and so forth. And he said, "You think you have got a great job, but all you do is go to New York and Boston and back to New Hampshire, maybe to California once a year." He says, "I'll bet you've never been to lots of places where we'll go. You come down here and we will get on a plane and we will go to China. We will go to Japan..."

[End of Tape 8, Side B -- Beginning of Tape 9, Side A]

PAGANUCCI: So the opportunity to take foreign trips on business appealed to me as did a greatly enhanced compensation package although I never really cared that much for annual pay anymore than those faculty members who want to teach. As it worked out, the first full year that I worked there, compared to my last year at Dartmouth, I earned four times or so as much as my Dartmouth pay. And most of the years I was back there and the two years after I resigned, but they paid off a couple more years of the employment contract, after I retired from W. R. Grace in '91, I earned about ten times what my last pay at Dartmouth was!

It was also very exciting, very stressful and a tremendous financial incentive. But it didn't have the same psychic income, the feeling of satisfaction and pride in your work that you get working in a place like Dartmouth. But that's the story. It was an incentive for excitement and change and travel, and a great deal more money. I think in that order, more or less.

CARROLL: Did you stay in touch with David McLaughlin and Dartmouth while you were there?

PAGANUCCI: Oh, yes. I stayed on the Dartmouth Investment Committee at the request of the Trustee members for most of 1986; however, I was only able to go to a couple or maybe three meetings. And I resigned sometime in the fall of '86 because I had to have some serious surgery in August of '86. Gall bladder removal. Dave McLaughlin spent quite a lot of time with me in the hospital because I had it

done at Mary Hitchcock and I was just up the street. I saw him frequently. He was in my office in New York frequently during the period he continued as President and afterward.

CARROLL: I was wondering, what do you think prompted David McLaughlin to resign after what had been basically, when he made the announcement, five years of his presidency?

PAGANUCCI: Well, he was in my office and we had a meal, dinner, and we spent a lot of time talking about that. I think the basic reason was that the stresses and emotions had escalated to such a high level, from both people who were criticizing him and people supporting him, that I sensed he felt his effectiveness to lead as President had been too diminished.

CARROLL: Do you think that his retirement has been a comfortable one for him?

PAGANUCCI: Well, he isn't really retired! He is working as hard as he ever did. He had one year where, I believe he knew what he was going to do but he delayed his starting time to get regrouped a little bit, and then he became president of the Aspen Institute. And that was a job, at that time, for which there were many applicants and he has performed there with great distinction because of the similarities and important differences between the job at Dartmouth.

One, they conduct many intellectual programs in sites around the world. They cater to a clientele of leadership-category adults. They need money, so they need a great fundraiser to help get them endowed in a better vein and they don't have a permanent faculty. I kid there. I say, you know, it's a much better job. Much more ideal. The Board, over the years, has taken a Dartmouth complexion, and some of my good friends are directors or trustees of the Aspen Institute. So I hear through them how Dave is doing and they feel he has consistently done a superb job. He is about to retire from there now, sometime in the next year.

CARROLL: I can't imagine him not working.

PAGANUCCI: Well, he has ongoing work. He will be extremely happy. He is on a number of corporate boards. Throughout this whole period from the time he went to Toro, he has been a director of Chase Manhattan Bank, which now merged with Chemical and it is now Chase and they are still keeping him on as a director. He has been a director

of some other important companies like Westinghouse in Pittsburgh, Dayton Hudson in Minneapolis, ARCO - Atlantic Richfield in California and that takes a certain amount of time and travel and energy and judgment, which he is very good at. And that will help occupy him in retirement and I expect that he will take on a few more directorships.

CARROLL: Well, that's the conclusion of the questions that I have. Would you like to add anything?

PAGANUCCI: I will probably think of a hundred things I would like to add starting at two o'clock tomorrow morning.

CARROLL: If that is the case, give me a call and I will be back with my machine.

PAGANUCCI: As of right now. I have enjoyed it very much and I hope someone in the future will have the patience to hear some of this and look into it.

CARROLL: I am sure they will.

PAGANUCCI: It has been a pleasure.

END OF INTERVIEW