

TELLURIDE NEWS LETTER

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MAY, 1936

John Albert Boshard

John A. Boshard, charter member of Telluride Association and official of Telluride Power Co., died at Provo, Utah, April 1, 1936 following an emergency major operation. He was born December 30, 1877, a son of John Jacob and Mary Cluff Boshard of Provo, Utah. The former was a native of Switzerland, while his mother was born in Utah.

He received his early education in the schools of Provo. In 1898 he enlisted in the Utah Light Artillery, Company B, and saw considerable active service in the Philippine Islands during the Spanish-American War and the Philippine Revolt. He received an honorable discharge following the war with the rank of sergeant.

Bert's long connection with the Association began with his residence at Olmsted, Utah, in 1909-10. From 1910 to 1913 he was a student in Civil Engineering at Cornell. He was elected to Tau Beta Pi, honorary engineering society. In Cornell Branch he held the office of Treasurer.

He was the Chairman of the Constitutional Convention of Telluride Association which was held at Olmsted, Utah, June 26 to July 8, 1911, and became a charter member of the Association. In 1913 he was elected Vice-President of the Association, and in 1919 he was elected Secretary, which position he continued to hold until the time of his death.

Following his graduation from Cornell in 1913 Bert Boshard went to Telluride, Colo., where he was assistant cashier in a bank. In 1916 he returned to Provo when he became chief auditor of Telluride Power Company. He was also for many years a director of the Telluride Power Company and Big Springs Power Company. In addition he was a director of the Telluride Motor Company of Provo and the Columbia Industrial Loan Company.

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Financial Problems to Face 1936 Convention; Correspondence Discusses Control of Funds

THE members of Telluride Association extend a cordial invitation to all Alumni and friends to attend the 1936 Convention which will be held in Ithaca from June 15 to June 20. We expect that there will be considerable discussion of our method of handling trust funds and the proposed plan for increasing our endowment. This discussion should prove very interesting, and we shall welcome the advice and guidance of the older members who can join us at that time.

It will be appreciated if those planning to be present for all or part of the Convention will communicate with the Chairman of the Arrangements Committee, Earle B. Henley, Telluride House, Ithaca, N. Y.

Convention Committees

Arrangements and Credentials—
Henley, Ch., Kleps.

Cornell Branch—Monaghan, Ch., Ohlinger, V-Ch., Biersach, Cavanaugh, Clark, O. R., Mansfield, H. C.

Deep Springs—Mansfield, H. C., Ch., Sheridan, V-Ch., Atkinson, Henley, Layton, Newell, Peterson.

Endowment—Levering, Ch., Brauner, V-Ch., Aird, Davy, H. W., Jarrett, Reinhardt, G. F., Richtmyer, Rust.

Finance—Fellows, Ch., Campbell, V-Ch. (investments), Arent, V-Ch. (Trust Funds), Kelly, V-Ch. (Selection of Custodians), Laise, V-Ch. (Audit), de Beers, V-Ch. (Convention Expenses), Brauner, Burchard, Laylin, Levering, Mansfield, H. C., Sheridan, Sibbett, Walcott.

Judiciary—Withrow, Ch., Brauner, V-Ch., Carnes, Hayes, Sullivan.

Membership—Fairchild, Ch., Balderston, V-Ch., Dimmler, Kuder, Maner, Reed, Sweeting, Williams, Wright, Yarrow.

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The following correspondence regarding the activities of the endowment committee will be of interest for its discussion of methods of handling the Telluride trust fund.—Ed.

Dear Johnson:

"With reference to your speaking of the endowment committee and your professional 'dough lifters', I have a little problem of my own to call to your attention. During the summer I had occasion to speak to about the idea of his giving money to increase the endowment of the Association.

"He professed to be very much interested in the ideas and ideals of the Association, but stated that there is one paramount difficulty which would prevent him from ever giving us a single sou. This was our history in the administration of the present funds and the possibility of any money he ever gave us being dissipated through poor investments. It is inconceivable to him that an association of our kind can exist for any period of time without reliable advice on investments and also a responsible trustee in the form of some well known and strong trust company.

"His idea is that with generations turning over as fast as they do in the Association, we are not benefited by any past experiences. Specifically speaking, our loss in common stocks won't teach the Association any lesson because within a few years those members who suffered the loss will be wide spread and have little if any influence on our investment program. Therefore it is possible that year after year, small losses will be sustained and our profits in dealing with investments will be so small that the losses will gradually diminish our principal. Also we are likely to develop a very vicious circle. As our endowment is diminished through losses and our income falls off we are likely to turn to speculative investments in order to increase our

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TELLURIDE ASSOCIATION
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Managing Editor:

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FRED H. BULLEN

Deep Springs Correspondent:

GEORGE S. STEWART

MAY, 1936

A small pocket directory of the Telluride group will be published shortly. If your address is other than that to which the *News Letter* goes, please send the correction to the Editor.

Several applicants and members have written the Chancellor that they would like to communicate with anybody driving to Convention who would like a share-the-expense passenger or two. Anybody desiring to accommodate one of these men and to cut his own expenses should at once communicate with E. M. Johnson, Ithaca.

John Albert Boshard

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For many years he served as treasurer of the Provo Rotary Club. He also held the office of secretary. In addition he was a prominent member of B. P. O. Elks No. 849, Provo, and the Chamber of Commerce of the same city.

The funeral was held in the Fifth Ward Chapel, Provo, under the charge of Bishop W. O. Faer, on April 5. The services were attended by many Telluride Alumni and virtually the entire office force of Telluride Power Co. President Whittle named Hugh Davy the official representative of the Association at the funeral. H. R. Waldo spoke briefly and feelingly on behalf of Bert's Telluride associates and friends.

Bert Boshard was unmarried and is survived by his mother; a sister, Mrs. Mildred B. Moore of Provo; a nephew, Fred M. Moore, and two nieces, Mrs. Mildred Benson of San Francisco, and Mrs. Norma Brantley of Hollywood, Calif. Fred Moore is a former member of the Association and now lives in Salt Lake City, Utah.

CORNELL BRANCH

F. B.

The Branch was very glad to welcome Professor Burr back to Ithaca for a two week's visit the first half of May. He had been spending the winter at Philadelphia, Pa., and has again returned there, but he promises that he will be back in Ithaca by Convention time. We are glad to report that Professor Burr seems in his usual good health and spirits.

Professor and Mrs. William M. Calder were guests of the House for the three weeks following the spring vacation. Professor Calder delivered the Messenger Lectures this year on the subject *Paganism and Christianity in Phrygia to 400 A. D.* The Calders come from Edinburgh, Scotland.

Among our other guests have been P. N. Nunn, Walter M. Crawford, Mr. and Mrs. Sidney Walcott, Mr. and Mrs. Erwin R. Goodenough, Mr. and Mrs. Frank Monaghan.

The event which monopolized the attention of the House for many weeks was the spring house party. This was held on the weekend of May 8. Mrs. H. C. Mansfield acted as chaperone. The affair resembled an alumni homecoming with old members of the Branch coming back to take part. There were twenty-one couples, making it one of the largest of Telluride parties. The entertainment followed the traditional pattern of formal dance, etc. An unanticipated good fortune was the perfect spring weather which lasted the entire weekend. The success of the party is chiefly due, however, to the tireless activity of Bernt and Olaf whose care made the whole weekend a great success.

Charles Brunelle won second place in the Forbes Heermans Prize Contest for the best one-act play on an American theme. His play was entitled *Barge Baby*. Robert Gorrell received honorable mention for his play, *Nearer My God to Thee*. These plays will be produced by the Dramatic Club during Senior Week.

Goldwin Smith, one of our graduate guests, has been awarded the Boldt Fellowship in History for the coming year. This Fellowship carries the stipend of \$1000.

Members of the Branch have been

taking an active part in public speaking on the Hill this spring. Fred Rarig was the winner in the '94 Memorial Debate Contest; Earle Henley was also among the finalists. Ward Fellows participated in the finals of the Woodford Contest in Oratory. This is a contest open to all seniors of the University. Ralph Kleps took part in the finals of the '86 Oratorical Contest which is open to students of Public Speaking.

We are very proud that Harold Atkinson was selected as one of the three finalists in the competition for the Rome Prize in Landscape Architecture.

The members of the Branch are maintaining their interest in campus affairs. Earle Henley succeeds Ralph Kleps as president of the Cornell Democratic Club, and John de Beers has been elected treasurer. Fred Rarig has been reelected president of the American Student Union which has absorbed the various liberal groups organized on the campus. Ralph Kleps will be next year's president of the Debate Club and Earle Henley will be the Club manager. Fred Bullen has been elected a co-editor of the *Arcopagus*, the *Cornell Journal of Opinion*. Ed Zalinski will be its business manager. Ed is also succeeding Ward Fellows as president of the Men's Cabinet of the Cornell United Religious Work.

Tradition was shattered this spring by the election of a member of the Branch to the Student Council. Zalinski was elected as member-at-large of the class of '37 running as an independent on a representative ticket sponsored by the Sun.

Charles Brunelle and Robert Gorrell have continued their active work in the Cornell Dramatic Club. Charlie was one of the principals in *The Village Wooing*, a one-act by George Bernard Shaw, and Bob played the part of Tony Lumpkin in *She Stoops to Conquer*.

The scholastic standing of the House has recently been demonstrated by the election of Robert Gorrell to Phi Beta Kappa, honorary scholastic society.

Anderson Pace was awarded a varsity C for his diving as a member of the swimming team.

Member of Review Board

Our member, Frank Monaghan, has made himself known in several directions lately. A former holder of an American Field Service Fellowship, he has been active in the administration of these fellowships. He has served during the past year as chairman of the Nominations Committee in the absence of Professor Feuillerat of Yale.

An announcement of the **The Franco-American Review** has the information that Frank Monaghan is a member of the American Board and its secretary. The first number of this **Review** will appear in June. It will contain articles by French and American writers. While adequate attention will be paid to current topics, the chief purpose of the editors will be to throw fresh light upon the manifold historical aspects of Franco-American relations.

Following the appearance of his biography of John Jay, Mr. Monaghan now announces the publication of a recently discovered paper by Jay recording the **Conversations of Dr. Franklin and Mr. Jay**. This will appear in a limited edition in handset type on handmade paper.

The following quotation is made from an article by H. W. Cope of the Westinghouse Electric Co. in **The Electric Journal** for January, 1936. It is entitled **A Half Century of Engineering Progress**.

"During the winter of 1890 the first commercial high-voltage system in this country for industrial use was installed by Westinghouse in the Telluride, Colorado, mining district. This district is one of the richest in ores in the Rocky mountains but is so rugged and inaccessible that much of the ore could not be removed economically. It was to overcome this handicap that this installation was made. . . . Two able and courageous brothers, L. L. and P. N. Nunn, made this original installation and developed it into a great power system. Weaker men would have failed. Today P. N. Nunn lives happily in his home in San Diego California, enjoying the fruits of his pioneer days."

Lyon-Gates

The marriage of George Clark Lyon to Marjorie Gates took place on March 14 at Glendale, Calif.

We learn with great regret from Father J. E. Meehan that his father has died this winter from a heart attack.

Concerning himself, Father Ed writes that in addition to his regular duties, he is assisting the head of WPA Art Projects whose chief duty is that of erecting a great monument to Saint Francis of Assisi for the city of San Francisco. The statue will be 128 feet in height above its base. It will be of stainless steel with the flesh parts in copper. Father Ed is engaged in bringing harmony and understanding among the various groups interested in the project. He has been appointed by the Archbishop to the Music Commission. The song with words by Father Ed and music by Parker Bailey is to be given by the Loring Club at their spring concert. This organization is the oldest and outstanding organization of male singers in San Francisco.

McRea Parker has been since 1932 Director of Schools for the Board of Education of Cleveland, Ohio. His work has been that of reorganizing the business administration of the public school system in order to reduce expenditures and increase the efficiency of the business department. A report of his work was made by McRea Parker last fall to the Board of Education. It excited favorable notices in the Cleveland press.

The annual administrative payroll was reduced 40 per cent by centralizing control of maintenance and elimination of superfluous activity. In addition the purchase of coal and other supplies was standardized and made subject to detailed specifications. Wherever possible the attempt was made to apply the best business and industrial practices to the school administration.

A letter from T. B. Monroe says that he spent two months this winter on the Gulf coast of Florida. "It's the first time since I was nineteen (and that's some years ago) that I have been away for any extended period with nothing to do but amuse myself, and strange to say I am enjoying it." He also says the following in respect to the **News Letter**. "I see no legitimate reason why Telluride Alumni or some of them should not underwrite the publication of the **News Letter**, and will be glad to guarantee myself any fair amount."

Accepts New Position

G. O. Whitecotton received an appointment on January 1 as field representative of the American College of Surgeons. This is an honorary association of thirteen thousand surgeons chosen for their ability. Dr. Whitecotton travels through 14 western and northern states as an inspector of those hospitals which fulfill the Minimum Standard of the College and survey hospitals striving for approval.

For the 18 months previous to this appointment he was Senior Resident at the Alameda County Hospital, Calif. The residency, carried with it full responsibility for the hospital at night and especially of the emergency department. The result was a unique training in hospital administration and a great deal of experience in traumatic and diagnostic surgery.

We have the following information from Jess Hawley, Boise, Idaho. "My family is rather scattered now. Genevieve is in her fifth year of college, taking a social welfare course in the Catholic University at Washington. My daughter Mary is in her last year at St. Mary's in Notre Dame. Jess finishes this year at Notre Dame and will probably go to Washington next year to begin his law work. My son James is in his second year at Gonzaga and is going to be a doctor. The other three children are in high school here."

Joe Nunn has left Gearhart, Oregon, where he was stationed and has returned to Azusa, Calif. He was working at Azusa two years ago with the Atkinson Construction Company, which was building a section of a road into the mountains. They are now working on the second section.

Kirtland Harsch writes that he is now an auditor with the Sun Oil Company and travels through Ohio and Michigan. His father is working in connection with the liquidation of the closed banks in Toledo.

New Newell

A daughter, Elizabeth Ann, was born to Mr. and Mrs. John M. Newell on March 30. Her father says that she is not a prospective applicant.

DEEP SPRINGS

G. S. S.

Deep Springs had its first fire on March 22 when a small chicken house at the Lower Ranch burned. The flames from a small oil stove had evidently caught the straw litter laid for 300 baby chicks. A ranch hand reached the building in time to save 125 chicks. The whole building has now been torn down, and the surviving chicks are doing nicely. Plans are being made for the installation of a fire alarm at the Lower Ranch.

Twelve members of the Student Body went on the Death Valley Trip, with Drs. Peterson and Kimpton in charge. Dean Crawford left on the same day for the East to be gone three weeks. The itinerary covered such points as Scotty's Castle, Ubehebe Crater, Furnace Creek Inn, Shoshone, and Trona. Henry Suhr took the party on an inspection tour of the American Chemical and Potash Company at Trona. The trip lasted a week, and all report an excellent time, though cloudy skies at Shoshone made the swimming pool less attractive than in the past.

Guests of the year include Mr. and Mrs. Johnson and Chan during February. Mr. Johnson conducted classes in etymology and composition during the day and lectured on the novel in the evening. Mrs. Johnson greatly helped us by making doublets for the cast of *Richard III* which goes into action, according to Dr. Peterson, May 21. Other guests of the term were William Biersach Jr.; John Burton; Dr. Livingston Porter, former instructor at Deep Springs; Dr. Maxon of the Cal-Tech Geology Department; and Mrs. Wyman Westcott, a psychologist from the University of Chicago. The Student Body has recently formed a list of desirable lecturers and will probably have more guests in the future thanks to a broader acquaintance and correspondence.

The Student Body wishes to express its appreciation of generous bequests of books made by alumni and friends. To augment the funds available for new books a plan is being considered for the sale of books long stored in the "green" shed and duplicated in the library.

Perhaps the biggest ranch improvement project of the year has been

the changed landscape in front of the main building. A sandstone wall two feet high has been laid along the front lawn, and evergreen trees have been placed beside the front porch to add color during the drab winter months.

The most noticeable change has been made on the Circle. Its radius has been cut ten feet, and the outside edge lined with sandstone. Walks will be made soon, one cutting the circle east and west and the other connecting the faculty cottages with the boarding house. They will be laid with white gravel and edged with black sandstone. The triangular gardens in front of the main building have been cut in area, and the road between the new wall and the triangle west of the postoffice is now wide enough for an easy turn.

The present outlook for ranch crops is bright, in spite of a mild winter that furnished little snow on the floor of the valley. A total fall of six feet of snow at Roberts has afforded a good head of water, and the supply has been adequate for Spring irrigation. With plenty of water and several new checks of land under cultivation, a crop of 250 tons of alfalfa, rye, and oats is expected, and there should be enough corn to fill one silo.

The mildness of the winter facilitated care of the cattle which were left for the most part on desert pasturage. Coonya and Sam Springs north of Antelope have been equipped with troughs, and at Paradise a cement basin has been laid to hold water for cattle. During the winter only about a hundred of the poorest cows and calves were corralled and fed alfalfa at the ranch, and a smaller number have been placed on rented pasturage in Owens Valley. A one-horse trailer has recently been added to ranch equipment and saves much time in taking Deep Springs cowponies to Big Pine.

Barclay Hudson and his wife will be in New York until June 30. Barclay sends the following information. "I was from '29 to '33 assistant to the Director of the City Art Museum of St. Louis. In September, 1933, I took six months leave and resigned in the middle of it. Since then I have made my headquarters in Corfu (Greece). From there I have excursioned around the Balkans and Italy. That's the story."

Convention Committees

(Continued from Page 1)

New Branch—Ohlinger, Ch., Atkinson, V-Ch., Davy, L. G., Falconer, Layton, McKelvey, Reich.

Preferment—Bannister, Ch., Roberts, V-Ch., Allen, Burchard, Gilbert, Gorrell, Mansfield, J. S., Matson, Read, Reinhardt, P. H., Sabine.

Resolutions—de Beers, Ch., Kleps.

Committee to Consider Office of Permanent Secretary—Sibbett, Ch., Scarlett, V-Ch., Kelly, Laylin, Levering, Mansfield, Walcott, Whitney, Yarrow.

Acting Secretary for 1936 Convention—Johnson, E. M.

Assistant Secretaries—Gorrell, Scarlett.

Financial Problems

(Continued from Page 1)

income and carry on; this will lead to additional losses and even greater speculation.

"He did not commit himself in any way; that is to say, he did not say that if we did appoint a trustee to look after our funds he would make any contribution, but I do think that his point is well made and will bear a very serious study."

Hugh W. Davy

Dear Hugh:

"Until recent months, the Association has never seriously considered additions to its endowment. Several people have during this time expressed serious doubt that wealthy people who have worked hard for their money would consent to place it in the inexperienced hands of our membership. Two of these people are prospective donors, and another is a man who professionally raises money for educational institutions. I am forced to admit much sympathy for those who have raised the question of our incapacity to administer a large fund. In fact, I think most of us would hesitate to hazard one hundred thousand dollars of our personal fortune, by putting it in the same pot with Association money."

"Until the year that Mr. Nunn died, he did the planning and established our financial policy and succeeded in making us think that we were in fact trustees with the responsibility upon our own shoulders. It was a flattering and pleasing piece of fiction, for most of us, though a

few of the members did rise to an effort to accept the responsibility. For the next few years after Mr. Nunn died, even I could have invested the funds of the Association and made money. I suspect that a different condition now faces us.

"With the exception of perhaps ten members who have seriously endeavored to familiarize themselves with the finances of the Association, the rest at convention listen respectfully to the Treasurer's report and vote hazy if not unintelligent 'ayes' on the resolutions offered by the Finance Committee. If these otiose and uninformed members are in fact trustees, I have a mistaken idea of the meaning of trusteeship. They are not getting from their trusteeship the education and the responsibility which is theirs in theory. To confine my discussion solely to the single aspect of trusteeship involved in our finances, I think that any man who does not familiarize himself with all the details of our holdings, with their value, their safety, their possibilities, and who hasn't some pretty good ideas on our investment policy, is just naturally shirking his responsibility, and calling him a trustee is silly and idiotic—and unkind to the member himself. I have with "most damnable iteration" insisted that trusteeship means personal responsibility, and if our members don't accept this responsibility, our fund might better be in the frail hands of a trust company.

"We seem historically opposed to educating ourselves, to giving ourselves the information and training which might make us of value to the Association's financial department. Years ago each member kept a set of personal books and rendered monthly financial statements to our auditor, but that method of learning some of the rudiments was a dismal chore and we voted out the bookkeeping at Convention. Can we take the financial statement of a firm in which we invest \$50,000, of the Association funds and make head or tail of it? At least, shouldn't we try. For one year we tried asking candidates for membership to write a paper on the personal, social, legal, and financial aspects of trusteeship as applied to the Association, but these papers were so thin and trivial and involved so much 'work' in preparation that the 1935 Convention voted to drop the required

paper from the list. The Convention might have insisted that candidates be better grounded in the personal and legal aspects of trusteeship; it might do anything to teach the rudiments to candidates for membership—even if it conveniently overlooks the ignorance of those who have made the hurdle of the Membership Committee.

"I do not recommend that our funds be turned over to a trust bank for day-by-day scrutiny by men that are supposed to know their business. My recommendation is that our members frankly admit that their 'trusteeship' is pure theory and moonshine and then set about to educate themselves, seriously and conscientiously, for their responsibilities. This trusteeship of members of our Association is perhaps the sole unique feature which would distinguish it from any other fund managed for scholarship or scientific purposes. Its educative value is limitless if it is accepted as it should be; I consider it one of Mr. Nunn's triumphs if we accept his challenge.

"I have had correspondence with one of our members relative to a prospective donor's objection to putting a large sum of money in our inexperienced, if not culpably negligent, hands. I have suggested that I could see no reason why this donor or any other donor could not place his money in safe hands on behalf of the Association. This would perhaps meet the donor's valid objection. It would not interfere with the opportunity of our membership to exercise trusteeship on our present endowment: if we do a good job, I suspect that our hands will be full. Furthermore, this diversity of investment, this variety of financial judgment, would perhaps insure the Association a steadier income and a sounder, safer handling of its entire assets.

"If we intend to induce people to add to our endowment, we must be worthy the trust implied when a donor puts one hundred thousand dollars in our fund. Group-education and self-education are necessary. Instead of 10 informed and conscientious trustees and 54 mere hangers-on, we should have 64 men who know every detail of our financial administration and investment, 64 men who know what trusteeship implies and who accept it. I haven't the cynicism in my heart to suggest

that we have a first-class economist give us an examination on the rudiments of financial responsibility."

E. M. Johnson

Dear Johnson:

"I have read your letter with great interest, and agree that under the present set-up our endowment is in rather grave danger of eventual dissipation if we continue our investment policy as our past experience might lead one to believe that we will.

"Obviously, our two most serious problems are: first, that our margin of safety is so small that each and every loss of principal is serious, and second, that as we are organized today, we discourage gifts to our endowment.

"Roughly, during the year ending May 31st, 1935, our return on investments was 3.8%; 10% of which was added to principal, or .0038 of our principal was "plowed back." Now, if our principal shrank more than .0038, we lost money. This 38 one-hundredths to 4 tenths of one per cent is a fairly stable figure, varying very little from year to year, so it takes few losses of any size to reduce our principal to the point where 10% of income additions will never bring it back to normal.

"Our return last year of 3.8% is moderate for a first grade trust fund, but breaking it down we find that this was made up of a 5.1% return on bonds and a 2.6% return on stocks, and that we haven't got a trust fund. This seems to me to be the whole difficulty. We refuse to regard our principal as a trust fund and insist on investing it as we might our own private means. This is exactly the reason that men who have made money, and have held on to it, and who recognize the danger of a loose and haphazard investment policy will refuse to donate money to our endowment.

"Theoretically there is an educational value to the members in administering our fund as we do, but practically it amounts to very little. We talk about personal responsibility and training. Of course the personal responsibility is pure nonsense. Who is responsible for our Lincoln Building, our Kidder-Peabody Participation, etc.? And the training is of little value to the Association, because the ones who profit by the mistake pass on, leaving a new and

innocent generation to make the same bad guesses. And the wisdom and experience we expect of a group of undergraduates! We imagine they, as an unwieldy body, can compete with efficient, trained, and well informed specialists. We don't seem to realize that common stocks may be, and often are, excellent buys for individuals, but hardly ever for a trust fund. The dealers in common stocks are made up of two classes, the leaders and the suckers. The leaders recognize good buys and make them before they get too popular, then they sell them before they get too unpopular. We, by our very set-up, are suckers who buy late, and are left holding the bag. Our return on stocks of 2.6% shows that we can't break even by holding stocks. We must constantly buy and sell at profits to get any return, and this is just what we can't do.

"I believe that, in years to come, we will be far ahead if we will put our funds, now, in the hands of some capable corporate trustee, preferably one that has a record of increasing, by gifts, such funds, and then appoint a committee to work with and advise this trustee. If this isn't done we will develop the vicious cycle of taking losses which will cut our income, making more and more speculative investments to increase the income, taking more losses, and finally arriving to the point where we will be forced to a conservative policy with a principal so impaired as to greatly curtail its usefulness.

"It is apparent that we're going into a boom of some proportion and that our common stocks will look rosy for a while, but in all probability, we will ride through the boom and will hold our stocks until they're down again, and all we'll have to show is a loss of income and possibly a few more small, but important, losses in principal.

"I think this is rather a serious matter, Johnny, and I wish, if you have time, you would get some plan to present to the next Convention, finding what it would cost to use a corporate trustee's services, and what inducement of safety and money raising abilities they have to offer."

Hugh W. Davy

Dear Editor:

"The file of correspondence which you sent me reveals a spirit of

criticism of the handling of the investment portfolio of the Association which perhaps is not limited to the author of these particular letters. Therefore, it seems to me that it would be interesting and perhaps instructive to the newer members of the Association to review the course of our investments over the past few years and also to analyze the current position. Criticism is directed at the two or three glaring and obvious mistakes but no one so far as I know, has taken the trouble to see just where we stand today in comparison with our position five or six years ago.

"At the outset I would like to state that in my opinion no portfolio of securities can be handled over a considerable period of time without making certain mistakes. It is a continual fight against shrinkage of principal due to errors which cannot be foreseen; errors of judgment occasionally; errors due to the constant flux of economic conditions; errors due to political regulation of certain phases of our economic life. We avoided what might have been a very serious error in investment policy at the Convention following the death of Mr. Nunn.

"About that time, the Natrona Power Co. was sold and the Association found itself confronted with the necessity of managing about \$500,000 of cash. There was considerable discussion at the Convention as to whether we should not use this money for the purchase of an industrial enterprise of some sort where we could carry out our plan of education of young applicants and at the same time derive an income and a potential profit on our investment. It was my opinion at that critical period in our history that we already had a very substantial speculative commitment in the present Telluride Power Company and that the funds in question should be placed in relatively high-grade bonds which would give us a fairly high income. We then bought the B & O 6s, Northern Pacific 6s, Great Northern 5½s etc. Our results were reasonably satisfactory and it was not necessary to make many changes in our list for several years.

"It is this list of securities, our fluctuating portfolio, with which I am particularly concerned in this letter. I wish to discuss the money

received from Natrona because I have had a rather influential part in connection with the investment and reinvestment of this fund. The balance of our endowment has remained practically unchanged in Telluride Power stock and bonds, Utah Fire Clay Co. stock and Pacific Coast Building & Loan Association certificates. These latter have been a part of our permanent investment and generally speaking it has not been possible to dispose of any of them even had it seemed advisable.

"Following the crash in the stock market in 1929 the Association had a list of bonds and stocks as set forth in the minutes of the 1930 Convention with a gross value of \$490,449. If you will refer to page 14 of the minutes you will be able to arrive at this figure very quickly by eliminating the Telluride stock and bonds, the Utah Fire Clay and the Pacific Coast certificates. The income of these securities amounted to \$28,151 which gave the Association a current annual return of 5.75%. Will you please note that I have given you the cost price of these securities and not the market price, which I am sure was much less than cost as of May 31, 1930. If we take the Market Value of the portfolio as it exists today, again eliminating the Telluride stock and bonds, the Utah Fire Clay and the Pacific Coast certificates, we will find that there is a value of \$530,189. I might also call your attention to the fact that the number of Telluride Power Corp. bonds during this period has increased from \$170,000 par value to 195,000 par value. Our income on the \$530,000 market value of bonds and stocks has shrunk to \$22,546. The actual shrinkage in this income is even greater than indicated by the figures because of the decline in the value of the dollar. The current return on the bonds alone is 5.14%, on the stocks is 3.70% and on the total portfolio is 4.25%. This means that in spite of the very large book loss in International Commerce Buildings which have declined from a cost price of 101½ to a market price of approximately 11; a loss in Lincoln Building 5½s which have declined from 100 cost to 65 market; and the substantial loss in Kidder Participations which now, under the name of Consolidated Investment Trust, are sell-

ing at 40% of their cost price, and the other losses in individual securities; I say, in spite of these losses the principal amount of this fund during the period of the depression, has increased from a principal amount based on cost of slightly over \$490,000 to slightly over \$530,000 based upon market prices as of about January 25, 1936 plus \$25,000 Telluride Power Co. 6s.

"It is very simple, as one looks back over the last five years, to point the finger of criticism at the organization which would be so foolish as to hold such a security as Kidder Participations, or International Commerce Building bonds, or Lincoln Building bonds, and perhaps it is not to the point that one of our great Universities, with investment advice perhaps second to none in the country, placed over \$1,000,000 in Kidder Participations, or to point out that the real estate bonds were legal for trust funds when they were purchased and remained so practically to the time of collapse. But the fact remains that the corpus of this fund has today been carried through the throes of depression and the principal value is not only intact but has actually shown an increase.

"We have a shrinkage in income. However, we have adopted the only course open to us to regain a part of this loss and I am of the opinion we will see many increases in dividends which will help us recover our present shortage. Consolidated Investment Trust, Carborundum, Kodak, General Electric, General Motors, International Nickel, Springfield Fire & Marine, Stanley Works and Torrington have all either increased regular payments or paid extra dividends since last Convention or since purchase.

"In the correspondence referred to in the beginning of this letter there is a statement as follows: 'It is inconceivable—that an Association of our kind can exist for any period of time without reliable advice on investments and also a responsible Trustee in the form of some well known and strong Trust Company.'

"I would like to comment upon the ideas presented in this sentence. The Association members have taken a more active and a more constructive interest in the investment portfolio during the last five or six trying years than for many years prior

thereto. I think our former President, Mr. Levering, was responsible for inspiring a great many members to take an active part in this phase of their Trusteeship. Certainly we made real progress in the breadth of our investigation and the soundness of our counsel during the period from 1930 to 1935. The sentence above states that we cannot hope to be long in existence "without reliable advice." I would like to call attention to the investment contacts upon whose advice decisions were made at the Convention in June 1935:

"For several years we have been conferring with Professors Warren and Pearson of Cornell and they have been kind enough to give us the benefit of their judgment. In my opinion this has been of great value. We have also conferred with the Treasurer of Cornell and have secured his counsel as to our proposed plans. Harvey Mansfield has brought reports from one of the leading economists of Yale University, whom I believe is actively identified with the investment problems of Yale. I, personally, am acquainted and conferred with the man who has charge of the Princeton Fund under the direction of a Board of Trustees similar to our own Board of Custodians. John Whittle has talked with the authorities at the University of Rochester and he and I together have discussed Association problems with the fiscal officers of the Eastman Kodak Company. John Laylin attended last Convention and it is not necessary to comment upon his official position at the time and his knowledge of the probable course of inflation. Si Whitney as economic adviser to the NRA and our leading economist, was in attendance at Convention to advise with us. There was a general consensus of opinion from all of these various sources that caused us to continue to follow the policy of transferring our investment funds from high grade bonds to Common stocks. It is true that we started to transfer to equities too soon and we paid high prices for some of the stocks purchased. However, the policy has been continued so that at the present time we have a rather large portfolio of Common stocks at prices which with a few exceptions are beginning to look extremely attractive.

"I would like to contrast the in-

vestment policy which we have followed with that followed by a trust company with which I am familiar and which I believe to be typical. The trust company placed the funds entirely in high grade low income bonds and has refused to give any consideration whatever to the change in the purchasing power of the dollar. Criticism of Trust Companies on this score is wide spread as you must all appreciate. The Trust Company has no interest other than preserving principal and the results obtained are perhaps not as outstanding as they might be. The only hope of the Trust Company of protecting its trust funds against the decline in bond prices which is certainly ahead, is to place all funds in cash or short term bonds at the right time and then rest for a year or several years until bond yields rise. For Telluride Association this would mean little or no income for a protracted period, hence a complete cessation of all activities, as we are not allowed to spend principal. In other words trust company administration of our money would in my judgment lead inevitably to failure.

"Far more important, however, than any consideration of results is the educational value of individual trusteeship on the part of the members of the Association in the management of their affairs. If we hand over our funds to a Trust Company and relieve ourselves of all responsibility, taking what they choose to give us, we are giving up in very large measure our reason for continuing to exist. It is true that it would be in keeping with the times and certainly in conformity with national principles to take from our shoulders any and all burdens; to place additional crutches in our hands; to weaken our spines and lower our morale; but I believe there are some of us who still oppose such tendencies to soft, easy, and irresponsible living. Far better a militant membership interested and studying to solve our investment problems than a salaried clerk in some Trust Company solving them for us.

"Of course it should be pointed out in connection with the above that if any kind soul decides to make a gift to the Association and in his wisdom decides to set up a trust fund for the purpose I do not think the money would be refused.

"I cannot believe that a man of intelligence who might be contemplating a gift to the Association would refuse to make such donation if he was familiar with the facts; if he attended Convention and observed the methods adopted in investing our funds; if he heard our former President, Sam Levering, make a speech on the subject of converting our present stock holdings into high grade bonds as soon as the economic cycle has reached that stage where stock prices are unduly high and bond prices have consequently reached a buying range; if he appreciated fully the scope of our investigation, the breadth of our contacts and the intelligence of the combined judgments of our advisers. We have made great strides in our ability to handle our fund over the past ten years. Personally, I am not unduly concerned nor pessimistic as to the future. I believe that in spite of changing personnel in the membership certain broad policies will be established and followed and that we may be expected to succeed at least as well and perhaps better than the enormous University foundations which because of their size are not able to change with changing conditions as easily as we can change.

"The results speak for themselves. The corpus of our estate is intact. A large part of our loss in Pacific Coast certificates is being recovered, the Telluride Power Co. is confronted with improving conditions and eventually we may expect regular dividends on its Common stock again, and our fluctuating investment portfolio is in shape to benefit enormously from any future inflation or improvement in business which lies ahead. We have been down into the valley of depression for practically five years and we are just starting up the other side. Many of the paper losses we have today will be eliminated with general improvement and our fund can be augmented through stock profits to a very considerable extent over the next few years as we continue up the hill of economic recovery. Our next great problem will be transferring from equities to fixed income securities at the time when the former are no longer profitable and it begins to look as though we were going over the hill into the next cyclical swing. I look forward with great confidence in the Association membership to solve this problem.

I believe our finances will be in a far stronger position than ever before to carry forward the ideals and purposes for which we were established by Mr. Nunn."

Sidney S. Walcott

Dear Editor:

"Now that we may view the investment proceedings of the last convention with hindsight, I am rather astonished at our failure to commit any unpardonable mistakes. It was a very difficult time in which to come to any decision, inasmuch as we had no real confirmation of the continuing upswing of the business cycle, and the trend of railroad earnings had not become definitely established.

"Our greatest single misjudgment occurred in selling our B. and O. bonds at the time we did. There is no question but that we were heavily loaded with rails, but subsequent events indicate that we would have done well to wait a year longer before attempting to balance our portfolio, in this respect. By June it may be that our other rail bonds will have reached such a level that it will be profitable to attempt further diversification. I have no doubt that our ultimate aim should be to reduce our railroad holdings to approximately 5 per cent of our invested capital. The longterm trend of railroad business since the war has been downward at the approximate rate of 2 per cent annually. However, their business for the past year has increased on the average about 8 per cent. With these statistics in mind, my personal guess would be that we should liquidate most of our investments of this type over the next year or two. The present, short-term trend indicates that we would be safe in doing this leisurely, but the long-term figures should indicate just as positively that we don't want a large percentage of our funds in this type on investment.

"Looking again from a hindsight point of view, our purchase of bank stock and real estate bonds seems to have been made at least a year ahead of time. Although bank stocks have risen generally since last June, the continuing low interest rates preclude any great earnings on their part over the foreseeable future. There are some bank stocks that seem to be bargains at the moment, but I believe that as a class they are

a trifle over-valued. Our real estate bonds have been practically static, in fact I believe that they are now selling a little below our purchase price.

"Now, having made the usual highly accurate hindsight diagnosis, I am more or less forced into the highly dangerous position of attempting some sort of a forecast. Inflation still appears as a very prominent factor with which we should reckon; there is no doubt in my mind concerning the wisdom of our recent purchases of common stocks, especially those of insurance companies. There appears to be no slacking of the investment pressure exerted by huge amounts of idle capital. All new high-grade bond issues have been eagerly snapped up as quickly as they were offered in the market. Short of drastic increase of reserve requirements by the Federal Reserve Board, there appears to be no potent factor threatening the present low level of interest rates. Many people have expressed the opinion that any action by the Federal Reserve Board before elections is highly improbable. One other factor of note is found in the apparent strengthening of our heavy industries, and in the sharp upward turn found in their earnings. This, along with other indicators, seems to confirm my suspicion that we have entered the upswing of the business cycle.

"The foregoing paragraph necessarily calls for an investment policy made up of the following elements. 1. Avoid high-grade bonds; select instead sound bonds that offer a reasonable opportunity for capital appreciation coincident with increased earnings of the company whose securities you hold. 2. Invest in carefully selected common stocks which offer appreciation possibilities over the next two years. 3. Where possible, buy bonds or preferred stocks of sound industries which contain reasonable conversion features; the conversion feature represents a guard against depreciation of value should the bond or preferred stock price slip because of increased interest rates. 4. Buy bonds of fairly short maturity, say ten to twenty years. It is well known that short term bond prices fall less rapidly in a declining market than do long term bond prices."

F. S. Laise