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DR. CATHERINE COOLIDGE
P.O. Box 1443
Manchester, Mass. 01944

Tel. (617) 526-1641

December 26, 1981

Dr. J. Wayne Reitz, Secretary
Escuela Agricola Panamericana
Box 14425
Gainesville, Florida 32604

Dear Wayne,

I agree that it is most appropriate to send Mr. Ashley's letter of resignation to all board members.

Mr. Ashley, as Chairman of the Portfolio Committee, had indicated to me, the Vice-Chairman of the Board on the scene, the form in which he and I together were to present his April 16th memorandum to the Trustees at the Annual Meeting in Washington on May 5, 1981. Apparently, he changed his mind and withdrew himself and the report from the meeting without notifying me at all. I leave it to you to find a word to describe such conduct.

One of the reasons why Dr. John Lastavica did not talk with Arthur Young was because John's report of April 14th to Mr. Ashley was confidential, and Mr. Ashley never authorized John to give the report to a third party; in fact, after the May 5th, 1981 meeting he did not communicate with John at all.

I fail to understand Mr. Ashley's concern about the figures and analysis used in his report when Burke Wright's report has essentially confirmed all of them. On the other hand, a responsible person would find it impossible to be a treasurer when the information provided by the investment adviser and auditors is grossly inaccurate.

Yours sincerely,

Catherine C. Lastavica

Catherine C. Lastavica, M.D.

cc: EAP Trustees
Mr. Ashley

ESCUELA AGRICOLA PANAMERICANA
P.O. Box 14425
Gainesville, Florida 32604

Office of the Secretary

December 22, 1981

MEMORANDUM

TO: Trustees, Escuela Agricola Panamericana

RE: Austin S. Ashley's letter of resignation

At the November 20-21 Board of Trustees meeting, Chairman John Smith read Austin Ashley's letter of resignation. Although I did not include this in the minutes, it appeared desirable to circulate it as a separate document, which I am now doing. I have cleared this procedure with Messrs. Ashley and Smith several days ago.

I have just read Dr. Catherine C. Lastavica's letter under date of December 14 to all Board members. In light of the statement she makes in the penultimate paragraph of her letter, it is particularly appropriate to share Mr. Ashley's letter with you.

As far as I know, Mr. Ashley is still considering the request of the Board that he withdraw his resignation. As a member of that Board for 26 years, I sincerely trust that he will remain a member notwithstanding Dr. Lastavica's irresponsible accusations concerning certain individual Board members.

Sincerely,

J. Wayne Reitz
Secretary

enc.

BINGHAM, DANA & GOULD
100 FEDERAL STREET
BOSTON, MASSACHUSETTS 02110
TELEPHONE: (617) 357-9300
TWX: 7103210169
CABLE ADDRESS: BLODGHAM BSN

EUROPEAN OFFICE:
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TELEX 888179
CABLE ADDRESS: BOGLON G

CAPE COD OFFICE:
146 MAIN STREET
PARK SQUARE
HYANNIS, MASSACHUSETTS 02601
TELEPHONE (617) 771-2161

2 November, 1981

Mr. John G. Smith
Agropecuaria La Laguna S.A.
Apartado 432
Guatemala City
Guatemala, C.A.

Dear John:

Burke Wright's memorandum of October 28th has just come to my attention and has caused me no end of chagrin.

Briefly, my position has become completely untenable as a result of the refusal of Dr. Lastavica to provide Arthur Young with the information they could reasonably have expected from him.

Dr. Lastavica represented himself to be a trained accountant and in view of the nature of his day-to-day work, of which I had some knowledge, I believed that he was far better qualified than I to make the technical analysis of investment performance which was required. Foolishly, I relied on his work, never imagining to be let down by him so grossly, were it questioned.

Obviously, there is nothing more than I can do now except to spare the Trustees and the School from further embarrassment by misguided actions on my part.

I hereby resign as Trustee and Treasurer of Escuela Agricola Pan-Americana, Inc., effective immediately.

Such records as I have pertaining to the office of Treasurer are at the disposal of the Board.

I am very sorry to have to do this, as I have enjoyed my years on the Board and the pleasant associations the meetings have afforded. Yours is a friendship I have particularly valued and I shall miss occasions together in the future.

With all best wishes.

Sincerely,

Austin S. Ashley

ASA/rw

cc: G. B. Wright
J. W. Reitz

DR. CATHERINE COOLIDGE
P.O. Box 1443
Manchester, Mass. 01944

Tel. (617) 526-1641

December 14, 1981

Dear EAP Board Member,

In his memorandum to the board on the subject of investment management and Arthur Young review, dated November 19, 1981, Mr. G. Burke Wright concludes that there were no improprieties. I totally disagree because all three of the "significant questions" which he chose to analyze are challenged by his own colleagues, because he is asking the board to accept two audits which contain "sizable differences", because he is using my method for measuring performance without due acknowledgement and incorrectly at that, and because the school's income cash has not been reconciled. A trustee cannot accept audits and accounting in which $127,000 of principle cash difference is not accounted for and in which $77,000 of income cash difference is not reconciled. Such a conclusion on his part only indicates that he does not have the best interests of the school at heart.

Mr. Wright has been addressing the following issue: If an adviser has good performance, is he justified in churning a portfolio and paying high commissions? Most people, in the absence of other information, would admit that there may be justification. Mr. Wright missed the point; the EAP issue is a different one. The churning and high commissions have resulted in a substantial income for the brokerage firm of one of our trustees for at least three years, and the school's income has been below expectations. During 1978 and 1979, according to Mr. Blewer, his performance was 10.4% below the N.Y.S.E. Index; it was 4.2% better than S/P-500 in 1980 and, even then, did not result in a high income available to pay the school's expenses. The broker-trustee in his capacity as chairman of the portfolio committee is directly responsible for the investment adviser's performance for his firm's benefit. I consider this trustee's conduct improper. Furthermore, the rest of the trustees have been led to believe that the broker-trustee was doing the school a favor! Mr. Wright was selected and recommended for the board in 1978 by the broker-trustee in question who is a former director of United Brands, Mr. Wright's present employer. For these reasons I consider Mr. Wright's acceptance of this assignment improper, and his selection of issues deliberately misleading.

The total return on the portfolio in 1980 was good. Mr. Lastavica considers this his only independent contribution to Mr. Ashley's report of April 16, 1981. Mr. Blewer reported the performance erroneously as $1,445,000. Mendieta y Asociados reported the performance erroneously as $1,444,000. I called this error in the Mendieta y Asociados audit to the attention of Arthur Young principals in New York and urged them to exercise due care in their further work. Nevertheless, the Arthur Young special audit established the performance erroneously as $1,445,000. After this last error I wrote to the Secretary on November 5th, copy to Mr. Wright, and showed him how to calculate the performance using the custodian's valuation of assets, (the most trustworthy) and United Brands income figures, and established the return as $1,871,000, (readily reconcilable to $1,719,000 in Mr. Ashley's report). Mr. Wright followed my method using the Blewer and Arthur Young figure, and established the return as $1,908,000. The difference between $1,871,000 and $1,908,000 is due to the market value of securities on December 30, 1980, mine being the more conservative valuation provided by the custodian. Mr. Wright states, "... the uninvested cash balance at year end... is the principle reason for the sizable difference..." - difference between $1,908,000 calculated by Mr. Wright and $1,445,000 previously calculated by the auditors is $463,000. The uninvested cash at year end according to Mr. Wright, and I agree, was $336,000. Mr. Wright has not explained the difference between $463,000 and $336,000 i.e. $127,000. If it were not for my letter of November 5th we might never have been given the confirmation of the facts that Mr. Blewer's report was in error, that Mendieta y Asociados' audit is in error and that the special audit is in error in calculating performance. Now, Mr. Wright, how do you account for the $127,000 difference? The trustees would like to know.

According to Mr. Wright, "United Brands essentially performs an accounting function for the school; they record trades, reconcile prices on trades, record dividends and assist Arthur Young in preparing the school's audit." In this accounting function United Brands established the school's income from the portfolio for 1980 as $516,000. In this figure, according to Mr. Wright, there was approximately $40,000 of accrued interest, I believe precisely $46,617 according to the special audit. Subtracting the latter sum from income, the portfolio generated $469,000 in cash. During the year 1980, including the January 7th 1980 deposit, the school received $382,000 and the custodians paid taxes and fees of $10,000. Subtracting the last two numbers from the preceding one leaves $77,000 in cash not accounted for. A financial report which does not explain the disposition of $77,000 in cash is unacceptable. The special audit states, "We have been unable to determine how Mr. Ashley calculated the custodian's ... income amounts." Given that the auditors properly defined how to calculate the total return, but did not calculate the return until I did, I question their diligence. It appears that they do not know that custody statements report separately the income cash receipts and disbursements. Mr. Ashley's report of April 16th was available to the auditors. It states that "monthly statements" from the custodian were his source documents. Could they not get these same documents and add twelve numbers to find out the portfolio income per custodian for the year? The auditor's statement that they were, "unable to determine how Mr. Ashley calculated the custodian's...income amounts" is negligent and improper. The auditors reported that they agree with the investment adviser's recommendation to evaluate options together with the stock involved. This would have been appropriate if Mr. Blewer had a formal option trading program, but he did not have one. The auditor's agreement is, therefore, misleading to the trustees. In any event, the fact that Mr. Blewer lost $39,000 through option trading would have been confirmed by an objective audit.

Mr. Wright established the performance of Mr. Blewer at 31.1% (which is not meaningful without the above mentioned reconciliations)and compared this performance to that of other portfolio advisers such as Batterymarch, Thorndike etc. "composites". Because composites are not defined as to equities-fixed income ratio, this comparison is invalid. In another section Mr. Wright calls "Mr. Ashley's (evidently Mr. Lastavica's) ... comment on Beta spurious since only 65% of the portfolio was used as a basis for calculation." The error is Mr. Ashley's. Mr. Lastavica's letter to Mr. Ashley dated April 14th, 1981 reads, "However, the portfolio's Beta was calculated on only 60% of the equities in the portfolio in July, 1980, which makes this measure meaningless."

On the subject of turnover, the lack of professional competence exercised by the auditors is even more appalling. The special audit and Mr. Wright state that the "securites" market value year end 1979 were $4,403,340. Mr. Blewer, on the other hand, as well as the custodian, report equities at market, year end 1979, as $3,588,940, a number fully reconciled for Mr. Ashley's report. Mr. Wright relates the total of purchases and sales of equities to a wrong beginning equity position. (The average of the two suggested in the special audit is the conventional way.) Had he used the correct equity number he would have computed 356% and not 289%. (Mr. Ashley's 181% compares very closely to 356%/2 or 178%. The difference is equal to one double counted trade and most likely due to the Treasurer's irresponsible record keeping, a source of frustration to Mr. Ashley during his audit.) Mr. Wright's colleague from United Brands indicated that 200% was a high figure for turnover, and his colleague from Exxon asked, "Whether they want to continue to allow this kind of turnover in the future." Had Mr. Wright's colleagues been informed that the turnover, using his method was 356% and not 289%, would their comments have been stronger? I also wonder whether Mr. Wright informed his colleagues that 86% of this turnover was done through the brokerage firm of one of his fellow trustees and that the firm earned almost $80,000 in 1980 alone. Mr. Ashley originally established the total commissions and taxes as $94,517.

Mr. Lastavica, eliminating obvious double counting, reduced this total to $92,713 of which $88,490 were commissions and the remainder taxes. The special audit reduced the last number to $86,240, probably due to another double counted trade. Paine-Webber received $71,866 in commissions and Landenburg, Paine-Webber's wholly owned subsidiary according to Mr. Ashley, received another $4,396 for a total of $76,262, which is 86% of the total commissions established by Mr. Lastavica and 88% of the total commissions established by the special audit.

On the subject of commissions Mr. Blewer clearly violated Mr. Cabot's instructions of 1972, "Blewer is being charged with the duty of finding competitive quotations where there seems to be a possibility of a saving." All arguments by Mr. Wright assume that Mr. Blewer is trading only EAP portfolio and, therefore, is not generating enough volume to get the prevailing discount prices. Mr. Blewer must have other accounts; his firm cannot operate from an $11,000 fee paid by EAP. Mr. Blewer's churning rate, had he notified Paine-Webber in advance, would have been enough to get him a discount.

Where does this leave us? We have a series of improprieties committed by various trustees. We have two invalid audits and a respectable firm drawn into and implicated in our grossly mishandled affairs. We have reinstituted Mr. Blewer as investment adviser even though he continued to supply us with erroneous information. For example, in February, 1981 for the Miami meeting he prepared a report showing 1980 income as $658,000, $142,000 more than the United Brands then available records. We have not been told why Mr. Blewer is not paid the market rate of approximately $30,000 for his services. (Is he getting more for services to EAP than the $11,000 he billed the school for 1980? As you know his January, 1981 invoice contained an overcharge of $445.50 on an annual basis.) Mr. Ashley has resigned from the board, as he indicated he would, last spring, in the event that the board attempt to "sweep under the rug" the financial mismanagement which he, as Chairman (appointed December 1, 1979) of the Portfolio Committee, had documented, and in which no significant fact has been challenged by either Arthur Young or Mr. Wright.

It is imperative that the trustees now take definitive steps to clean house before it is too late.

Yours sincerely,

Catherine C. Lastavica

Catherine C. Lastavica, M.D.

UNITED BRANDS COMPANY

1271 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10020
212 / 397-4122

G. B. WRIGHT
Vice President
Public Affairs Department

December 8, 1981

Mr. David Loewith
ARTHUR YOUNG & COMPANY
277 Park Avenue
New York, N.Y. 10017

Dear David:

Attached please find a copy of my report, dated November 19, to the Board of Trustees of Escuela Agricola Panamericana on the various charges which were examined in your review of September 25, 1981, together with the Portfolio Committee's response to some of the more subjective questions raised by Mr. Ashley (or, as we now know, by Mr. Lastavica) and Dr. Coolidge. The report was delivered to the Board members (copy of the letter attached) on December 1, 1981.

Confirming our telephone conversation, the Board passed the attached resolution asking for a review by Arthur Young & Co. of my report, seeking your professional opinion of my conclusions, and noting that the matter would be put to rest if no other relevant information was received after circulation of your review of my November 19 report.

This letter is to formally request such a review by Arthur Young & Co. on behalf of the School. Obviously, we would like the review completed at an early date and if there are any points in my report which require clarification, or if I can help in any way, please let me know.

Yours truly,

G.B. Wright

cc: John Smith
Chairman, EAP Board

Robert Cooper
Arthur Young & Co.

Wayne Reitz
Secretary, EAP Board

Thomas Mooney
Charles Wheeler

RESOLUTION OF THE BOARD OF TRUSTEES

ESCUELA AGRICOLA PANAMERICANA, TAKEN

AT BOARD MEETING, NOVEMBER 20, 1981

The Portfolio Committee presented a Report dated November 19, 1981 addressing the principal questions raised by certain trustees, at past meetings and otherwise, regarding management of the Escuela Agricola Panamericana Endowment Fund, particularly with respect to investment performance, volume of trading, valuation procedures and brokerage commissions. Each item was carefully reviewed by the performance and procedures of other similar funds provided in the report, it was the concensus of the Board that the Report covered to to its satisfaction, the questions raised. After considerable discussion it was RESOLVED:

That the Chairman be directed to send to all Trustees not present, a copy of the Portfolio Committee Report;

That, as a further step, the Chairman be asked to request the School's auditors, Arthur Young & Co., to review the Report and provide the Chairman with its professional opinion as to the conclusions of the report;

That the Chairman send a copy of the said auditor's Review to all trustees;

That the Chairman request the Trustees to send to the Chairman any relevant information in this respect which, in their opinion, many not have been examined by such Report and Review;

That, if by January 31, 1982 no information deemed relevant by the Chairman has been received, the Report of the Portfolio Committee on this subject dated November 19, 1981, be approved and accepted as final;

That if such information is received and is deemed relevant by the Chairman, he will bring it to the attention of the Board.

It was also RESOLVED:

That the Portfolio Committee be instructed to transmit periodically to the Investment Advisor, in writing, the Board's investment objectives and to continue to monitor actively the performance of the Investment Advisor.

It was reported that the Investment Advisor's portfolio valuation as of September 30, 1981 was approximately $6.7 million at cost and approximately $6.6 million at market (after capital withdrawals of some

$587,000 to fund the Retirement Fund) and that the annualized income from interest and dividends from the Portfolio as then structured could be estimated at approximately $797 thousand, represented an estimated yield of some 12.1% on market value.

Having reviewed the budget for 1982, the Board RESOLVED:

> That the investment objectives of the Endowment Fund at present should be to provide from income a minimum of $500,000 to support the budget during 1982 and, in this context, to achieve growth in capital value to the degree possible, within due prudence, to protect the portfolio against inflation.

TO: EAP TRUSTEES

FROM: G.B. WRIGHT

RE: EAP PORTFOLIO

DATE: December 1, 1981

At the request of Mr. John Smith, the attached report is being sent to EAP directors who were not present at the November 20th meeting of the Board.

G.B. Wright

To: Board of Trustees
Escuela Agricola Panamericana

From: G. B. Wright

Re: Portfolio Committee Chairman's Comments:
Arthur Young review, dated September 25
of questions raised by certain trustees
regarding the investment management of
EAP Endowment Fund portfolio by
John M. Blewer, Inc.

With further reference to my memorandum of October 28, to which was attached the subject review by Arthur Young & Co. together with certain other pertinent documents, an examination of the review would indicate that many of the questions raised were of a minor nature and were answered by corrections contained in the AY report. For example, the valuation of Impala Platinum shares, the question of whether or not the advisor included accrued interest in his evaluation, etc. It seems pointless to review them again here, although questions on these matters, if they are not clear, are welcome.

The really significant questions which were raised, in our judgement, were the following:

A) What was the total return of the portfolio under Blewer's direction in 1980, and although it was not specifically asked, how does this performance compare with others?

B) As a corollary to this question, was there undue turnover or "churning" in the account?

C) As a second corollary, were the commissions charged by the brokers, (principally Paine Weber) too high for an account of this size?

Turning to each of these questions, my comments would be as follows:

A). Total return. Total return on an investment portfolio such as this is calculated as follows:

Market value of securities at end of period plus income achieved during the period divided by the market value at beginning of period. Additions or withdrawals from the fund during the period must also be considered.

On this basis, and using figures from Mendieta audits for 1979 and 1980 calendar years, the total return for this portfolio is as follows:

Market value, securities only, 12/31/80*	$7,196,636	
Uninvested cash in endowment fund****	336,363	7,532,999
Market value, securities only, 12/31/79***	5,855,803	
Uninvested cash in endowment fund***	285,704	6,141,507
Gain in value of portfolio during year		1,391,492
Accrued interest and dividends during year*		516,415
Total return on portfolio during the year		1,907,907
Less funds withdrawn by the school for operating expenses		350,000
Net increase in value of portfolio for the year		1,557,907

* Mendieta/Arthur Young audit for 1980
** Arthur Young September 25 review of portfolio
*** Mendieta/Arthur Young audit for 1979
**** Custodian (N.E. Merchants) year end report

$$\text{Total return} = \frac{\$1,907,907}{6,141,507} = 31.1\%$$

As noted in the Arthur Young report, they were unable to determine how Mr. Ashley (apparently Mr. Lastavica) calculated a total return of $1,791,000. The adviser's claim of $1,444,899 was taken from his records and is discussed in the AY review. It does not include the uninvested cash balance at year end, however and this is the principal reason for the sizeable difference between his figure and the figure of $1,907,907 above. The figures above have been identified as to source, and would appear to be accurate. In the usual evaluation of an investment adviser, however, they would be somewhat overstated (by about $40,000) since one does not normally include accrued interest on T-bills in a monthly or quarterly evaluation.

When we compare this total return with the 1980 figures for the several investment advisors whom we have invited to present their plans to us, we find (for 1980 and the 5 year period ending in 1980):

Advisor	1980	1976-1980
Blewer (EAP)	31.1%	211.0%
Batterymarch	16.6%	257.0%
Thorndike Deland	26.5%	178.2%
Mass. Financial	37.9%	236.8%
Scudder Stevens	21.8%	175.3%
Shearson Amer Expr	22.9%	183.0%

It should be noted that all of these figures are composites, except Blewer's and they thus reflect different degrees of risk and also

different degrees of investment philosophy. All are tax-free pension or endowment funds, however. Further and more detailed comparisons will be made when the Committee takes up the question of hiring a new advisor or advisors, or retaining Mr. Blewer. It does seem fair to conclude from these figures that Blewer's management of the fund has been above average (26.1%) and that it has been satisfactory from the point of view of a relatively high income stream which is required for the School's operating expenses. Whether another advisor can do a better job is a subject for the Committee to investigate next, but for the moment it seems reasonable to conclude that Blewer has done a creditable job.

B) Turnover or "churning". Portfolio turnover or "churning" is, of course, a somewhat subjective issue. My own feeling is that net results are what count; turnover should not be a matter of concern if investment results are above average and if the advisor is otherwise meeting objectives in terms of safety, income stream or other targets which the committee might set. In that results have been above average, it is hard to support a claim that results would been better if portfolio turnover had been reduced.

Turnover in 1980 was as follows:

Purchases	$6,049,713	
Sales	6,710,436	$12,760,149
Securities, year end, 1979		4,403,340

Turnover, defined as total of purchases and sales divided by portfolio value at beginning of year = 289%

At United Brands, our pension fund administrator indicated that 200% was a high figure; but, as indicated above, he added that investment results were the real criterion on which the advisor should be judged.

Exxon's Assistant Treasurer, responsible for their pension fund administration, felt that this turnover is high and that this involves increased brokerage and spread costs but he added that some investment advisors have this style. Despite the high turnover, the Exxon man felt that Blewer's results during 1980 and during the 1976-80 period were very acceptable; the high turnover is certainly no evidence of malfeasance or mismanagement. He also noted dthat the EAP fund is a non-taxable account, so that tax liability, one of the principal inhibitions in running a private trust account, is not applicable to this fund. He did add that as a separate issue, the Committee may wish to consider whether they want to continue to allow this kind of turnover in the future.

Examination of the individual trades in the account shows no evidence of buying and selling the same security repeatedly, another evidence of "churning".

My own conclusion is that turnover was higher than might normally be expected in a portfolio of this size; but that the investment results were above average also. My recommendation is that the committee should discuss this further with Blewer and get his comments. As noted above, this is a subjective kind of issue and one which I believe the Committee should address in conjunction with his overall performance; it is not an issue which can be answered in isolation.

C) Commissions. The Arthur Young review indicates that commissions charged by Paine Weber prior to June 24, 1980 (when custodianship of the securities was transferred to N.E. Merchants Bank) was 21¢ per share; subsequent to that date, commissions were 17.9¢ per share. Mr. Ashley's (or presumably Mr. Lastavica's) letter of April 16 indicates that commissions should be "in the range of 5 to 10 cents per share."

The Arthur Young review also indicates the commissions paid on each transaction during 1980, in the tables in the back of the book. These tables show commissions ranging from a few in the 45¢ range down to several clustering around the 20¢ range to a few in the 6¢-7¢-8¢ range. There is no discernible pattern or reason for the differences in these trades, although generally speaking commissions should be, and seem to be, lower on larger volume trades. But even here there are exceptions, as examination of these tables shows.

Paine Weber was asked to comment on this matter, and a copy of their letter is attached. They note that they and another firm jointly handle the account of a large Boston law firm's pension funds, both executing orders at 20¢ per share. They also note that their in-house investment management firm, Mitchell Hutchins, kept records on commissions charged by brokers on pension funds which they advise, and that these rates were 20¢ per share.

While transactions in the United Brands pension fund portfolios were handled at much lower average costs per share, trades were generally for substantially larger volumes of shares than the EAP portfolio.

The Exxon Assistant Treasurer indicated that a figures of 20¢ per share appeared to be an acceptable figure in view of the size of the trades.

I personally checked with an investment manager whom I have known for many years, and after giving him total shares and total commissions, he volunteered the comment that if we had gotten good execution, we had been fairly charged. He added that it represented "about" 45% discount from the old "standard" rates. (Paine Weber's letter of November 5 indicates that an independent research firm, in a 1979 study, found that the average commission charged major pension and endowment funds was discounted some 40.1% from the old "standard" rates.)

On the basis of these findings, it would seem that EAP trades were made at normal, average rates of commissions and that there was no reason whatever to believe that the portfolio was overcharged. The AY review would indicate that Paine Weber charged less for commissions after it was no longer the longer custodian, as it said it had done and I can

find no reason for criticism of Paine Weber's commissions on this account.

When we sought Mr. Blewer's comments on whether or not he felt we were getting the best commission rates, he was somewhat defensive about the matter, saying that order execution was a more important factor and that shopping for sharper commission rates was often not worth the errors in transactions. He also noted that other services provided by brokers including, for example, Paine Weber's custodianship, brokerage house research,etc. were often factors in dealing with a specific broker. The Committee was not entirely satisfied with this answer and our new investment objectives will include instructions for him (or any other advisor whom we may select) to improve or provide the best possible overall commission rate consistent with accurate execution.

There are a few other points which should be mentioned in view of the conclusions of the Arthur Young review:

1. The various discrepancies on the "cost" of the portfolio between Mendieta and the new custodian are due to the fact that the new custodian's "cost" is the value on June 24, 1980 when they were placed in his custody. Obviously, the cost to the portfolio was the cost when purchased and except for securities purchased after this date, the values will be different.

2. It is difficult to evaluate the charge about the Beta of the portfolio. Mr. Ashley's (evidently Mr. Lastavica's)letter of April 16 notes that the beta was .89, which "would have been favorable if true. Unfortunately, the number is spurious since only 65% of the portfolio was used as a basis for the calculation." If one assumes that the calculation was based on the securities portion of the portfolio only, since beta is not normally measured on the cash portion of a portfolio, the beta of the portolio was indeed favorable. However, AY was unable to determine what was meant here, since Mr. Lastavica indicated that his schedule would not permit him to respond to further questions on his earlier work for Mr. Ashley.

3. In examining these records, I find that under Paine Weber's custodianship, idle funds were invested for short periods before purchasing new securities in a money market fund, paying interest at money market rates. Now, however, these funds are invested for these short period in a New England Merchants savings account paying only 5%. I want to look into this as soon as possible for obvious reasons.

In concluding these comments, it seems important to put the 1980 performance into perspective. I am confident that not only was Mr. Ashley diligent in his supervision of the advisor during the year, but that Mr. Blewer was attentive to the portfolio's needs, and that Paine Weber acted entirely in good faith and that there was no impropriety evident in any of their activities.

I am equally convinced that United Brands and Arthur Young performed their functions correctly in the accounting and auditing areas. United Brands essentially performs an accounting function for the school; they record trades, reconcile prices on trades, record dividends and assist Arthur Young in preparing for the school's audit. Arthur Young and their Honduras associate, Mendieta y Asociados were in my opinion, diligent in their audit and Arthur Young's office in New York has been particularly generous with their time in the performance of their September 25 review.

In my judgement, there is nothing in Arthur Young's findings nor in the Committee's consideration of the turnover or commission questions which indicates any sort of malfeasance or impropriety. Although these conclusions are my own, I have discussed them with the other members of the Portfolio Committee, and they are in general agreement with my conclusions.

Nearly all of the questions which have been raised about portfolio performance during 1980 were raised by only one trustee and the cost of this review, not only in the out of pocket costs which Arthur Young graciously agreed to share, but in the time of several trustees, has far exceeded the value of the investigation, in my judgement. Most of the Committee members' time has been occupied with this review since the present Committee was constituted, and we believe that it is time to put this behind us and proceed to other matters such as the setting of investment objectives, closer supervision and regular reviews with the investment advisor and the possible selection of a new or additional advisor next year.

Respectfully submitted.

G B Wright

G. B. Wright
11-19-81

PAINE
WEBBER
JACKSON
&CURTIS
INCORPORATED

MEMBERS NEW YORK STOCK EXCHANGE, INC.
100 FEDERAL STREET • BOSTON, MASSACHUSETTS 02101

RECEIVED
DEC V
G. B. WRIGHT

ROBERT C. BRADY
VICE PRESIDENT

(617) 423-8550

November 5, 1981

Mr. G. Burke Wright
United Brands Company
1271 Avenue of the Americas
New York, New York 10020

Dear Mr. Wright:

In response to the inquiries of your committee regarding the commissions charged Escuela Agricola Pan-Americana by our firm, we have developed the following bench marks:

1. At Paine Webber, we have an inhouse management company, Mitchell Hutchins Asset Management. They keep records on commissions charged their accounts on an overall basis. For 1980, the average commission was .20¢ per share.

2. In our office, we handle the account of a major Boston based law firm. We furnish this firm with research and do 50% of all trading activity. The other 50% is done by a major New York stock exchange firm. We both execute orders with a rate of .20¢ per share.

3. In 1979, Greenwich Research Associates surveyed a group of portfolio managers on a national level and determined the average commission charged major pension and endowment funds were discounted at a rate of 40.1%. We have enclosed a copy of this study for your information.

This type of information is very difficult to obtain. On May 1, 1975 when the S.E.C. mandated the securities industry fully negotiate commissions, they added severe penalties for collusion. Therefore, broker to broker conversations regarding discounting do not normally occur.

I sincerely hope this information is helpful to you and your committee. If we can be of any further assistance, please contact our Boston office.

Sincerely,

Bob Brady

Robert C. Brady
Vice President

cc: George P. Gardner, Jr.
100 Federal Street 31st
Boston, Mass. 02101

enc: copy, commission discounts

RCB/kaw

After three years of *underestimating* the amount by which brokerage commissions would be discounted in the following year, institutional investors *overestimated* the discounting that would prevail during 1978. Discounts were expected to be 42.0%; they actually were 39.8%.

Looking ahead to 1979, most groups of institutional investors expect virtually no change in discounts from the nearly 40% discounts that prevailed during 1978.

The magnitude of commission discount varies primarily by size of institution. Broker-affiliated investment managers get greater discounts than do other types of institutions of comparable size.

Mutual funds are an exception to the general pattern. Not only did they obtain greater discounts during 1978 than they had predicted early that year, but they also got greater discounts than any other group of institutions.

Looking ahead, mutual fund managers expect to attain even greater discounts in 1979, while most other types of institutions do not expect to get significantly greater discounts.

How Actual and Expected Average Commission Discounts Have Varied by Type of Institution

Type of Institution	Actual in 1975	Actual in 1976	Actual in 1977	Actual in 1978	Expected for 1979
Money Center Banks	36.3%	39.1%	44.7%	44.1%	45.0%
Large Regional Banks	30.9%	36.1%	36.6%	39.7%	40.0%
Medium Regional Banks	26.8%	31.9%	39.0%	35.5%	36.5%
Small Regional Banks	26.6%	29.8%	35.9%	37.3%	37.7%
Mutual Funds	37.0%	39.7%	45.8%	47.5%	48.6%
Large Investment Counselors	34.5%	37.7%	49.3%	45.4%	43.9%
Medium Investment Counselors	30.9%	33.0%	41.3%	40.7%	41.2%
Small Investment Counselors	26.4%	31.2%	36.5%	36.7%	37.2%
Large Insurance Companies	35.8%	38.7%	42.0%	44.8%	44.3%
Small Insurance Companies	27.2%	32.1%	36.5%	37.7%	38.6%
Pensions and Endowments	29.8%	33.8%	41.5%	40.1%	40.0%
Broker Affiliates	29.8%	33.1%	41.2%	44.2%	44.1%
Total Institutions	29.5%	33.4%	39.5%	39.8%	40.0%

D' Reetz.

from Burke Wright.

To: Board of Trustees
Escuela Agricola Panamericana

From: G. B. Wright

Re: Portfolio Committee Chairman's Comments:
Arthur Young review, dated September 25
of questions raised by certain trustees
regarding the investment management of
EAP Endowment Fund portfolio by
John M. Blewer, Inc.

With further reference to my memorandum of October 28, to which was attached the subject review by Arthur Young & Co. together with certain other pertinent documents, an examination of the review would indicate that many of the questions raised were of a minor nature and were answered by corrections contained in the AY report. For example, the valuation of Impala Platinum shares, the question of whether or not the advisor included accrued interest in his evaluation, etc. It seems pointless to review them again here, although questions on these matters, if they are not clear, are welcome.

The really significant questions which were raised, in our judgement, were the following:

A) What was the total return of the portfolio under Blewer's direction in 1980, and although it was not specifically asked, how does this performance compare with others?

B) As a corollary to this question, was there undue turnover or "churning" in the account?

C) As a second corollary, were the commissions charged by the brokers, (principally Paine Weber) too high for an account of this size?

Turning to each of these questions, my comments would be as follows:

A) <u>Total return</u>. Total return on an investment portfolio such as this is calculated as follows:

> Market value of securities at end of period plus income achieved during the period divided by the market value at beginning of period. Additions or withdrawals from the fund during the period must also be considered.

On this basis, and using figures from Mendieta audits for 1979 and 1980 calendar years, the total return for this portfolio is as follows:

Market value, securities only, 12/31/80*	$7,196,636	
Uninvested cash in endowment fund****	336,363	7,532,999
Market value, securities only, 12/31/79***	5,855,803	
Uninvested cash in endowment fund***	285,704	6,141,507
Gain in value of portfolio during year		1,391,492
Accrued interest and dividends during year*		516,415
Total return on portfolio during the year		1,907,907
Less funds withdrawn by the school for operating expenses		350,000
Net increase in value of portfolio for the year		1,557,907

* Mendieta/Arthur Young audit for 1980
** Arthur Young September 25 review of portfolio
*** Mendieta/Arthur Young audit for 1979
**** Custodian (N.E. Merchants) year end report

$$\text{Total return} = \frac{\$1,907,907}{6,141,507} = 31.1\%$$

As noted in the Arthur Young report, they were unable to determine how Mr. Ashley (apparently Mr. Lastavica) calculated a total return of $1,791,000. The adviser's claim of $1,444,899 was taken from his records and is discussed in the AY review. It does not include the uninvested cash balance at year end, however and this is the principal reason for the sizeable difference between his figure and the figure of $1,907,907 above. The figures above have been identified as to source, and would appear to be accurate. In the usual evaluation of an investment adviser, however, they would be somewhat overstated (by about $40,000) since one does not normally include accrued interest on T-bills in a monthly or quarterly evaluation.

When we compare this total return with the 1980 figures for the several investment advisors whom we have invited to present their plans to us, we find (for 1980 and the 5 year period ending in 1980):

Advisor	1980	1976-1980
Blewer (EAP)	31.1%	211.0%
Batterymarch	16.6%	257.0%
Thorndike Deland	26.5%	178.2%
Mass. Financial	37.9%	236.8%
Scudder Stevens	21.8%	175.3%
Shearson Amer Expr	22.9%	183.0%

It should be noted that all of these figures are composites, except Blewer's and they thus reflect different degrees of risk and also

different degrees of investment philosophy. All are tax-free pension or endowment funds, however. Further and more detailed comparisons will be made when the Committee takes up the question of hiring a new advisor or advisors, or retaining Mr. Blewer. It does seem fair to conclude from these figures that Blewer's management of the fund has been above average (26.1%) and that it has been satisfactory from the point of view of a relatively high income stream which is required for the School's operating expenses. Whether another advisor can do a better job is a subject for the Committee to investigate next, but for the moment it seems reasonable to conclude that Blewer has done a creditable job.

B) Turnover or "churning". Portfolio turnover or "churning" is, of course, a somewhat subjective issue. My own feeling is that net results are what count; turnover should not be a matter of concern if investment results are above average and if the advisor is otherwise meeting objectives in terms of safety, income stream or other targets which the committee might set. In that results have been above average, it is hard to support a claim that results would been better if portfolio turnover had been reduced.

Turnover in 1980 was as follows:

Purchases	$6,049,713	
Sales	6,710,436	$12,760,149
Securities, year end, 1979		4,403,340

Turnover, defined as total of purchases and sales
divided by portfolio value at beginning of year = 289%

At United Brands, our pension fund administrator indicated that 200% was a high figure; but, as indicated above, he added that investment results were the real criterion on which the advisor should be judged.

Exxon's Assistant Treasurer, responsible for their pension fund administration, felt that this turnover is high and that this involves increased brokerage and spread costs but he added that some investment advisors have this style. Despite the high turnover, the Exxon man felt that Blewer's results during 1980 and during the 1976-80 period were very acceptable; the high turnover is certainly no evidence of malfeasance or mismanagement. He also noted dthat the EAP fund is a non-taxable account, so that tax liability, one of the principal inhibitions in running a private trust account, is not applicable to this fund. He did add that as a separate issue, the Committee may wish to consider whether they want to continue to allow this kind of turnover in the future.

Examination of the individual trades in the account shows no evidence of buying and selling the same security repeatedly, another evidence of "churning".

My own conclusion is that turnover was higher than might normally be expected in a portfolio of this size; but that the investment results were above average also. My recommendation is that the committee should discuss this further with Blewer and get his comments. As noted above, this is a subjective kind of issue and one which I believe the Committee should address in conjunction with his overall performance; it is not an issue which can be answered in isolation.

C) Commissions. The Arthur Young review indicates that commissions charged by Paine Weber prior to June 24, 1980 (when custodianship of the securities was transferred to N.E. Merchants Bank) was 21¢ per share; subsequent to that date, commissions were 17.9¢ per share. Mr. Ashley's (or presumably Mr. Lastavica's) letter of April 16 indicates that commissions should be "in the range of 5 to 10 cents per share."

The Arthur Young review also indicates the commissions paid on each transaction during 1980, in the tables in the back of the book. These tables show commissions ranging from a few in the 45¢ range down to several clustering around the 20¢ range to a few in the 6¢-7¢-8¢ range. There is no discernible pattern or reason for the differences in these trades, although generally speaking commissions should be, and seem to be, lower on larger volume trades. But even here there are exceptions, as examination of these tables shows.

Paine Weber was asked to comment on this matter, and a copy of their letter is attached. They note that they and another firm jointly handle the account of a large Boston law firm's pension funds, both executing orders at 20¢ per share. They also note that their in-house investment management firm, Mitchell Hutchins, kept records on commissions charged by brokers on pension funds which they advise, and that these rates were 20¢ per share.

While transactions in the United Brands pension fund portfolios were handled at much lower average costs per share, trades were generally for substantially larger volumes of shares than the EAP portfolio.

The Exxon Assistant Treasurer indicated that a figures of 20¢ per share appeared to be an acceptable figure in view of the size of the trades.

I personally checked with an investment manager whom I have known for many years, and after giving him total shares and total commissions, he volunteered the comment that if we had gotten good execution, we had been fairly charged. He added that it represented "about" 45% discount from the old "standard" rates. (Paine Weber's letter of November 5 indicates that an independent research firm, in a 1979 study, found that the average commission charged major pension and endowment funds was discounted some 40.1% from the old "standard" rates.)

On the basis of these findings, it would seem that EAP trades were made at normal, average rates of commissions and that there was no reason whatever to believe that the portfolio was overcharged. The AY review would indicate that Paine Weber charged less for commissions after it was no longer the longer custodian, as it said it had done and I can

find no reason for criticism of Paine Weber's commissions on this account.

When we sought Mr. Blewer's comments on whether or not he felt we were getting the best commission rates, he was somewhat defensive about the matter, saying that order execution was a more important factor and that shopping for sharper commission rates was often not worth the errors in transactions. He also noted that other services provided by brokers including, for example, Paine Weber's custodianship, brokerage house research,etc. were often factors in dealing with a specific broker. The Committee was not entirely satisfied with this answer and our new investment objectives will include instructions for him (or any other advisor whom we may select) to improve or provide the best possible overall commission rate consistent with accurate execution.

There are a few other points which should be mentioned in view of the conclusions of the Arthur Young review:

1. The various discrepancies on the "cost" of the portfolio between Mendieta and the new custodian are due to the fact that the new custodian's "cost" is the value on June 24, 1980 when they were placed in his custody. Obviously, the cost to the portfolio was the cost when purchased and except for securities purchased after this date, the values will be different.

2. It is difficult to evaluate the charge about the Beta of the portfolio. Mr. Ashley's (evidently Mr. Lastavica's)letter of April 16 notes that the beta was .89, which "would have been favorable if true. Unfortunately, the number is spurious since only 65% of the portfolio was used as a basis for the calculation." If one assumes that the calculation was based on the securities portion·of the portfolio only, since beta is not normally measured on the cash portion of a portfolio, the beta of the portolio was indeed favorable. However, AY was unable to determine what was meant here, since Mr. Lastavica indicated that his schedule would not permit him to respond to further questions on his earlier work for Mr. Ashley.

3. In examining these records, I find that under Paine Weber's custodianship, idle funds were invested for short periods before purchasing new securities in a money market fund, paying interest at money market rates. Now, however, these funds are invested for these short period in a New England Merchants savings account paying only 5%. I want to look into this as soon as possible for obvious reasons.

In concluding these comments, it seems important to put the 1980 performance into perspective. I am confident that not only was Mr. Ashley diligent in his supervision of the advisor during the year, but that Mr. Blewer was attentive to the portfolio's needs, and that Paine Weber acted entirely in good faith and that there was no impropriety evident in any of their activities.

I am equally convinced that United Brands and Arthur Young performed their functions correctly in the accounting and auditing areas. United Brands essentially performs an accounting function for the school; they record trades, reconcile prices on trades, record dividends and assist Arthur Young in preparing for the school's audit. Arthur Young and their Honduras associate, Mendieta y Asociados were in my opinion, diligent in their audit and Arthur Young's office in New York has been particularly generous with their time in the performance of their September 25 review.

In my judgement, there is nothing in Arthur Young's findings nor in the Committee's consideration of the turnover or commission questions which indicates any sort of malfeasance or impropriety. Although these conclusions are my own, I have discussed them with the other members of the Portfolio Committee, and they are in general agreement with my conclusions.

Nearly all of the questions which have been raised about portfolio performance during 1980 were raised by only one trustee and the cost of this review, not only in the out of pocket costs which Arthur Young graciously agreed to share, but in the time of several trustees, has far exceeded the value of the investigation, in my judgement. Most of the Committee members' time has been occupied with this review since the present Committee was constituted, and we believe that it is time to put this behind us and proceed to other matters such as the setting of investment objectives, closer supervision and regular reviews with the investment advisor and the possible selection of a new or additional advisor next year.

Respectfully submitted.

G B Wright
G. B. Wright
November 19, 1981

PAINE
WEBBER
JACKSON
&CURTIS
INCORPORATED

MEMBERS NEW YORK STOCK EXCHANGE, INC.

100 FEDERAL STREET • BOSTON, MASSACHUSETTS 02101

ROBERT C. BRADY
VICE PRESIDENT

(617) 423-8550

November 5, 1981

Mr. G. Burke Wright
United Brands Company
1271 Avenue of the Americas
New York, New York 10020

Dear Mr. Wright:

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Mr. G. Burke Wright
November 5, 1981
Page 2

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Sincerely,

Bob Brady

Robert C. Brady
Vice President

cc: George P. Gardner, Jr.
100 Federal Street 31st
Boston, Mass. 02101

enc: copy, commission discounts

RCB/kaw

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DR. CATHERINE COOLIDGE
P.O. Box 1443
Manchester, Mass. 01944

Tel. (617) 526-1641

December 1, 1981.

Dr. J. Wayne Reitz, Secretary
Escuela Agricola Panamericana
P.O. Box 14425
Gainesville, Florida 32604

Dear Wayne:

Thank you very much for your November 27th letter. I was unaware that you had major surgery and hope that you are well recovered to enjoy many more years of good health.

I am in total agreement that Trustees should not vote by proxy and grateful to you for establishing this. Another proceedural point does come to mind, i.e. that the board as a whole should approve the minutes of the executive committee as was the case until about 1975 when the executive committee started to approve its own minutes. Perhaps you can reverse this trend as well.

As I recall, regarding the issue of Mr. Blewer's trading, it was felt during the executive committee meeting of February 6th that a vote was needed to change the investment adviser but not to stop him trading without supervision. Mr. Gardner readily agreed to the latter during the executive committee meeting. Near the end of that meeting the Chairman of the portfolio committee, Mr. Ashley, expressed his concern that the matter of a change in investment adviser was urgent. Therefore, it was decided to continue deliberations on the portfolio matter. Present were Popenoe and Lastavica, as vice-chairmen, Ashley, Gardner and Weeks. Chairman, Smith, stepped out of the room. After a short discussion Mr. Weeks offered to support whatever Mr. Ashley thought best. Mr. Gardner was then persuaded by Mr. Ashley's saying that, after all, investment advisers were "a dime a dozen" and wasn't it about time for a change anyway, and Dr. Popenoe who referred to the similarity between "consultants" and investment "advisers" pointing out that the decision to make a change wasn't really that momentous. In any case we sat down with the purpose of voting for the record and did so unanimously in favor of restraining Mr. Blewer's trading and changing the investment adviser. Since the by-laws state that all committees are to keep written records, it seems rather academic as to which committee was actually meeting, those present qualifying as a quorum of either the executive or portfolio or both. Action was taken, and the votes should be recorded thus making the record consistent with the vote taken the afternoon of May 5th releasing Mr. Blewer to trade once again on his own, and, more important, explaining Mr. Ashley's actions during the following three months.

During the week following the meeting Mr. Ashley felt that the other members of the portfolio committee were not sufficiently supportive of him regarding the decisions taken on February 6th. Therefore, the Chairman and vice-chairmen reiterated their support by telephone, telegram and letter as stated in my letter to you of September 8th. Mr. Ashley, then being satisfied that he was not acting on his own, went ahead on February 12th and instructed Mr. Blewer to stop trading. Mr. Ashley began his interviews with other investment houses discussing with them the problem of the school's portfolio management. He also started his review of the portfolio which had been requested by the Chairman and the executive committee on February 6th and resulted in his memorandum of April 16th to the portfolio committee.

The review done by Mr. Ashley was, in fact, at least a $10,000 audit counting the many hours of his time. The data were slow in coming as the Treasurer, Mr. Weeks, did not have the records in readily usable form. Because John Lastavica has a CPA degree issued by the Peruvian Government and was a member of the committee of the American Banker's Association which established the guidelines for portfolio performance measurement, Mr. Ashley asked him to help with some of the calculations. He did this as Mr. Ashley supplied the figures over a three month period. John confirmed Mr. Ashley's calculations on the volume of trading, commissions paid to brokers and costs per transaction. All these numbers are consistent, and slightly higher than Arthur Young's, probably because the Treasurer supplied Mr. Ashley with duplicate tickets purported to be originals. Some were discovered by Mr. Ashley or John, but others may have escaped notice. John's only independent contribution was to establish that Mr. Blewer's performance in 1980 was better than the Standard & Poor's average, a finding not confirmed by Arthur Young in either of their two audits.

John was astounded when on September 23rd he began receiving phone calls from Arthur Young asking him to explain Mr. Ashley's report. Mr. Ashley did not cooperate with Arthur Young on their audit, and there was no way that John could either. The audit or new portfolio committee was inappropriately constituted with a Chairman with a conflict and, furthermore, Mr. Miles of Arthur Young had not so much as acknowleged my letter to him of September 8th. As a matter of fact, in late April when Mr. Ashley encouraged me to send his report to about half the board members who had not received it, he commented, "They cannot sweep this under the rug." He also indicated that, if the trustees did not accept the facts of his report and act upon them as any responsible board would, he would resign from the board.

The delays in the board's willingness to take actions on the available facts may lead to a third party intervention, i.e. IRS. In order to prevent this, I urge the board, through you, to take appropriate and decisive steps as soon as possible.

With Best Wishes,

Yours Sincerely,

Kitty

Catherine C. Lastavica, M.D.

cc Mr. Ashley
Mr. Putnam

November 27, 1981

Dr. Catherine C. Lastavica
Post Office Box 1443
Manchester, MA 01944

Dear Kitty:

If I have neglected acknowledging some of your recent correspondence, it stems mostly from the fact that in October I underwent surgery to correct an aneurism of the abdominal aorta. As you can well appreciate, that has put me out of business for awhile. In fact, in anticipation thereof, the doctors did not let me attend the Executive Committee meeting held in Honduras in early October.

First I refer to the question you raise concerning the meeting of the Executive Committee minutes prepared by John Weeks for the meeting on February 6. It is my understanding in talking with members of the Committee, that while there was discussion of how the Portfolio was being handled, no specific action was taken by the committee. However, immediately after the meeting it was my understanding that the Portfolio Committee met and it was then that the decision was reached to instruct Blewer to cease trading. I have already explained to you how the action to resume trading was taken at the Trustees meeting on May 5th. The minutes of the Trustees meeting of that date have been corredted on the recommendation of John Weeks to reflect that action.

Now I refer to your letter of November 5 in which you gave me your proxy with respect to certain matters that would come before the Board of Trustees at its meeting on November 20-21. I find that proxies are not in order at Trustees meetings. They apply only for meetings of the Corporation. Thus, while I could not use your proxy, I did however notify the Board of how you stood on the matters outlined in your letter of November 5.

As the minutes of the meeting of November 20-21 will reflect, there was extended discussion of questions involving the portfolio. These were satisfactorily resolved by the Board and John Smith will be in touch with you and other members not present concerning some of the details.

With all good wishes.

Sincerely,

November 5, 1981.

MEMORAMDUM

TO: Board of Trustees
ESCUELA AGRICOLA PANAMERICANA

FROM: C.C. Lastavica, M.D.

RE: Endowment Portfolio

Gentlemen:

Despite an attempt by the Chairman and the new portfolio committee, the audit in no way dispells the facts. The new committee was chaired by a member of the old thus ignoring the conflict of interest recommendation stated in the last paragraph of Mr. Ashley's memorandum of April 16, 1981.

The Board now has to face the facts and decide what the appropriate remedies are:

1. There was churning of the portfolio.

2. Mr. Gardner of Paine-Webber established the <u>modus operandi</u> of the portfolio management with Mr. Blewer as manager.

3. Most of the trades went through Paine-Webber.

4. Paine-Webber charges were twice the normal rate.

5. The portfolio manager has not reported properly.

6. The portfolio manager's fee was way below normal.

7. The audit, has confirmed the facts in Mr. Ashley's memo and failed to explain the conflicting reports from J.M. Blewer and Mendieta y Asociados.

The question remains: was there a tie-in between J.M. Blewer, Paine-Webber, Arthur Young and certain officers of United Brands?

I am unable to attend the November 20th Board Meeting in Gainesville but have sent my proxy with a more detailed explanation in the enclosed letter to the Secretary.

CCL

C.C. Lastavica, M.D.

DR. CATHERINE COOLIDGE
P.O. Box 1443
Manchester, Mass. 01944

Tel. (617) 526-1641

November 5, 1981.

Dr. J. Wayne Reitz, Secretary
Escuela Agricola Panamericana
Box 14425
Gainesville, Florida 32604

Dear Wayne:

Herewith is my proxy for the November 20th meeting of the EAP Board of Trustees. I request to be recorded as voting against the following:

1. Approval of the minutes of the February 6, May 5th, and July 7th meetings. My reasons have been stated in my letter to you dated September 8th.

2. Acceptance of the 1980 Audit (Mendieta - Arthur Young)

3. Acceptance of the Special Audit of September 25th, 1981. (Arthur Young)

As background and in reference to question 9 of the special audit, "Did the school's Honduran accountants ever comment on turnover in the account?", John Lastavica and I were at the school from August 17 to 20, 1979 when the controller, Mr. Monte Dixon, told us that the local auditors, representing Arthur Young & Co., had raised questions in interviews with him regarding the large number of transaction tickets and possible excessive trading or churning of the endowment portfolio during the preparation of their audit for the year 1978. On returning to Boston this matter was brought to the attention of Mr. Ashley and to the Chairman of the Finance Committee, Mr. Gardner. In a private lunch room at the First National Bank of Boston on Friday, September 28, 1979, churning of the portfolio was discussed. Mr. Gardner said that he would look further into this matter of excessive trading of the account Within a few weeks I saw Mr. Gardner again, but there was no mention of the endowment portfolio. He did ask, however, if I did not approve of his recommendation of Mr. Ashley as counsel for the international shipping business of Mr. Gardner's son-in-law, Mr. Nicholas F. Papanicolaou of New York City and Greece. At the next Board Meeting on November 30 and December 1, 1979 Mr. Gardner stepped down as Chairman of the Finance Committee in favor of Mr. Ashley. In the meantime I repeatedly tried to bring the churning problem to the attention of Board Chairman, Hugh Popenoe. It is surprising that the auditors failed to obtain this information.

From the statements of the investment adviser it was clear that churning of the portfolio was going on especially during the last half of 1980, and Mr. Ashley, as Chairman of the portfolio committee, began to look more closely, which led to the events of the February 6th executive committee meeting and his memorandum of April 16th, 1981. John Lastavica helped him with some of the calculations, but the conclusions and recommendations were all Mr. Ashley's.

The September 25th audit report has not answered a single important question raised in Mr. Ashley's memo. Here are the key questions, and none answered.

1. What was the total portfolio return for 1980? Arthur Young says $ 1.445 million per Mr. Blewer, and Mendieta audit (pg.6) $ 1.444 million.

Market value including investment cash, New England Merchants, custodian, Dec. 30,1980.	$ 7.497 million
Market value including investment cash, Paine-Webber, custodian, Dec. 31,1979.	$ 6.124 million
Increase as defined by the auditors	$ 1.355 million
Accrued interest and dividends per audit/United Brands	$ .516 million
	$ 1.871 million

The auditors have not explained the difference of $ .426 million between $ 1.871 million and $ 1.445 million.

2. What is a reasonable endowment portfolio turnover? The auditors establish the turnover as between 155% and 173% compared to Mr. Ashley's estimate of 181%. I believe that an endowment portfolio turnover is normally in the 25% range. The auditors have not stated what they consider an acceptable range.

3. What is a reasonable commission per share? The auditors again do not answer. I believe that with a large volume the cost per trade is 5 to 10 cents per share compared with 19.3 cents reported by the auditors. The auditors state that there was a difference between the cost of trades before and after the custody was transferred from Paine-Webber to the New England Merchants National Bank. The difference between 17.9 cents without custody and 19.3 cents average cost is insignificant when compared to the high volume trader's maximum cost of 10 cents. And where were the broker's competitive bids? Surely it is the Board's responsibility to recover a portion of this money.

4. What percent of trades was done through Paine-Webber? The auditors did not address this question. Mr. Ashley reported that 86% of all commissions paid went to Paine-Webber.

5. Why was Mr. Blewer's fee approximately 1/3 to1/2 of the going rate for this service? This matter was not mentioned in the audit.

These unresolved questions indicate the need for an independent third party evaluation of our trust, rather than further discussions of these facts by the Board.

I feel that it would be futile for me to attend the November 20th meeting, and, furthermore, see no benefit in attending a meeting in which the Chairman, contrary to Robert's Rules of Order, deals in personalities (i.e. addressing me, "You are too controversial to serve on a committee."), and allows other board members to do the same (i.e. Mr. Gardner to me, "How dare you..").

I trust that you will see that my votes and reasons are duly recorded in the minutes of the November 20th meeting.

Yours Truly,

Catherine C. Lastavica

Catherine C. Lastavica, M.D.

cc: Board of Trustees
Dr. Malo

O@ctober 2, 1981

Mr. G. Burke Wright
United Brands Company
1271 Avenue of the Americas
New York, NY 10020

Dear Burke:

I appreciate your sending me a copy of the letterwwhich Kitty wrote to the head of Arthur Young and Company. Her actions displease me greatly. I must confess that it is becoming increasingly difficult for me to know how to handle such conniving conduct. I haven't examined the by-laws or constitution to determine what best to do with a member of the Board who becomes so obstreperous.

Why Kitty sent a letter to Joe Scibetta only a psychic could determine, but perhaps your assumption is as good as any. I don't know why she sent one to Midence, except that he is a member of the host country group with which she seems to have an "in" at the moment. I am inclined to believe we have about all the Hondurans on the Board that we can comfortably live with.

Now for more serious business. I regret exceedingly that I could not be with you this weekend to discuss the status of the portfolio review. I concur wholeheartedly with the questions you raised for Arthur Young and Company to consider and which you transmitted to members of the committee on August 25. I believe that to that could be added or mentioned the desirability of reconciling the value of the portfolio of December 31, 1980 with the statement which Kitty provided, which I assume came from the New England Merchant's National Bank. She claims there is a discrepancy of approximately $300,000.

As you know, starting early next week I am going to be laid up for a short while, but I hope to be able to make it to New York before the end of the year in case you need to have a meeting of our committee there. With Chuck in London and me grounded in Gainesvible, the committee wasn't able to function very effectively in Tegucigalpa this past weekend. If you have decided to hold the Board meeting here in November, I should be able at least to make a committee meeting and perhaps we can start bundling things up.

This in the main is to let you know that I regret very much Kitty's attempt to disparage you. In a letter I received from her recently, she stated that she was appaled at me because I apparently made a motion at the Trustees meeting when she was not present. This I was not aware of.

With all good wishes.

Sincerely,

ESCUELA AGRICOLA PANAMERICANA
APARTADO 93
TEGUCIGALPA, HONDURAS
Apartado Postal 432
Guatemala, C. A.

Guatemala, October 7, 1981

Dr. Catherine C. Lastavica
P. O. Box 1443
Manchester, Massachussetts 01944
U. S. A.

Dear Kitty:

Yesterday, I received your letter of September 26 requesting a special meeting of the Board of Trustees on November 19, 1981 in Boston. You attach photocopy of a letter from the Host Country Committee signed by Trustees Mario Nufio, Roberto Villeda and Adolfo Midence.

At the recent meeting of the Executive Committee held at Zamorano on October 2 and 3, your various observations to Board members about management of the investment portfolio and other matters were fully discussed. The Executive Committee resolved that a full report be presented to the next meeting of the Board of Trustees to be held in Gainesville, Florida at 8:30 a.m. on November 20, 1981, at which time your observations will again be fully and openly discussed by the whole Board.

Mario Nufio was present at the Executive Committee meeting and it was my understanding that as a result of the discussions at that meeting he and the other members of the Host Country Committee did not now consider a special meeting of the Board to be necessary.

I have just spoken to Mario on the telephone and he confirms that this is in fact the case and that he is writing to you today along these lines.

../..

ESCUELA AGRICOLA PANAMERICANA
APARTADO 93
TEGUCIGALPA, HONDURAS

../..

In view of this would you please confirm to me that you still wish to call a Special Meeting of the Board and that you have the necessary support from other Board members to do so.

In any case I urge you to attend the Board meeting at Gainesville as this will give us all an opportunity to discuss your suggestions and other matters of importance connected with the school.

Please let me hear from you again,

Sincerely yours,

John G. Smith

cc: J. Wayne Reitz
Mario Nufio, Host Country Committee

JGS/sam

DR. CATHERINE COOLIDGE
P.O. Box 1443
Manchester, Mass. 01944
Tel. (617) 526-1641

October 5, 1981.

Dr. J. Wayne Reitz, Secretary
Escuela Agricola Panamericana
P.O. Box 14425
Gainesville, Florida 32604

Dear Wayne:

Thank you for your letter of September 23. I appreciate your explanation of the decision to resume trading. Since you are taking steps to correct or amend the minutes to reflect your motion, and, since you are now the Secretary responsible for all the records, I hope that you will make the necessary amendments of the previous meetings as well beginning with those of February 6.

Yours Sincerely,

Kitty

Catherine C. Lastavica, M.D.

DR. CATHERINE COOLIDGE
P.O. Box 1443
Manchester, Mass. 01944
Tel. (617) 526-1641

Sept. 26, 1981 - cont.

P.S. - To J. Wayne Reitz

I have just received your 9/23 letter. I am appalled that you could make a Motion to allow Blewer to resume trading <u>after</u> I had left the meeting and <u>without</u> Ashley. Does Gardner's suggestion to exclude Payne Webber include Payne Webber's Ladenburg Thalmann Subsidiary? How about option trading? Letter follows!

ccl
CCL

encl. 1

DR. CATHERINE COOLIDGE
P.O. Box 1443
Manchester, Mass. 01944

Tel. (617) 526-1641

September 26, 1981

Mr. John Gordon Smith
Agropecuaria La Laguna S.A.
Apartado 432
Guatemala City, Guatemala

Dear Mr. Smith:

I am addressing you in connection with the letter, enclosed, just received from the Host Country Committee. Following the By-Laws, Article II, Section 5, "Special Meetings of the Board of Trustees may be called by the Chairman of the Board and shall be called by the Secretary at the written request of two or more trustees," we would like to call a Special Meeting of the Board on Thursday, November 19, 1981 in Boston to discuss "financial and administrative matters in connection with portfolio management." I have reserved a Conference Room on the 8th floor of the Old Colony Trust Division of the First National Bank of Boston, 100 Federal Street, in Boston for this meeting.

I am sure that you are as deeply concerned with the imponderables in the portfolio management as we are, and may wish to call this Special Meeting in Boston yourself. Perhaps the Secretary could arrange to have the regular Board Meeting on November 20 in Boston as well, for the convenience of travelling Board Members.

Yours Truly,

Catherine C. Lastavica

Catherine C. Lastavica, M.D.

cc: ✓J. Wayne Reitz, Secretary
Mario Nufio, Host Country Committee

Tegucigalpa, D.C.
September 18th, 1981

Dr. Catherine C. Lastavica
Box 1443
Manchester, Ma. 01944
U.S.A.

Dear Kitty:

This is a follow up to our recent cable regarding your request to convene a special meeting of the Board to deal with the matter of the portfolio. First of all the Host Country Committee would like, and perhaps this is the best opportunity, to express our support for your well-known dedication to Escuela Agrícola Panamericana, for its mission and objectives. We believe that you, perhaps more than anyone else on the Board, is responsible for the recent favorable changes occurring within the Board, its composition and its decision-making ability. This is also in great part extensible to what is happening at the School and the tightening of the administration there. Your beneficial influence has been really a breath of fresh air for Escuela Agrícola Panamericana since you came on board.

What you are trying to do regarding some imponderables in the managements of the portfolio is undoubtedly necessary. An independent audit whether it is periodic or occassional is always refreshing for anyone involved. It tends to cast away suspicion and distrust. However, we firmly believe that the time for convening this unscheduled meeting is perhaps not very appropiate. We doubt very seriously that there would be the necessary attendance for the Board to come to grips with this problem and reach a wise decision as to what to do about it. Therefore it is our opinion that Board Members should be asked to come one day earlier for the November 20 meeting to specifically discuss this important matter on Thursday, Nov. 19.

We still don't know where the new Board meeting will take place. (whether in Miami or Gainsville). However we are convinced that perhaps this unscheduled meeting should take place in Boston as you suggest. We will do our best to persuade the Chairman during the next Executive Committee Meeting in October at EAP. to call this extraordinary meeting in Boston. We believe that you should also be personally in touch with him regarding this very important matter.

With all good wishes,

Host Country Committee:

M. Nufio R. Villeda Toledo A. Midence

DR. CATHERINE COOLIDGE
P.O. Box 1443
Manchester, Mass. 01944

Tel. (617) 526-1641

September 8, 1981.

Dr. J. Wayne Reitz, Secretary
Escuela Agricola Panamericana
P.O. Box 14425
Gainesville, Florida 32604

Dear Wayne:

Thank you for your letter of August 28. I am certainly in agreement with your third paragraph which begins, "I believe you should know that the minutes need only reflect actions taken and the nature of the vote when not unanimous."

Therefore, I believe we should agree that the following facts be recorded:

I- February 6, <u>Minutes of the Executive</u> (<u>&</u> <u>Portfolio</u>) <u>Committee</u>

ACTIONS TAKEN:

1. To stop Blewer's trading
2. To search for a new investment adviser

In case there is any doubt that the above actions were taken, I include the following for your information:

Telegram from Mr. Ashley to Mr. Blewer dated Feb. 12,

"On behalf of the Portfolio Committee of the Escuela Agricola Panamericana, Inc., I have been authorized to request you refrain, except with approval of the Treasurer or further instructions from the Portfolio Committee, from initiating any further transactions in securities for the endowment fund other than transactions relating to the liquidation of existing option positions."

During the following two and a half months there were frequent communications between the Chairman of the Portfolio Committee, Mr. Ashley, the other members of that committee and the officers. Mr. Ashley proceeded meticulously and openly to select and seek proposals from at least five "top-notch" investment managers in the Boston area. He interviewed their representatives and discussed the problems of the EAP endowment with them.

Mr. Smith to Mr. Ashley dated March 19,

"I am so glad that you have been able to make some progress with this Portfolio problem and I am aware that it has caused you a great deal of trouble. We certainly had the right man in the right spot and I am personally most grateful to you for all your efforts which I fully support."

During the month of April written proposals from the following five firms:

Massachusetts Financial Services
Thorndike, Doran, Paine & Lewis
Battery March Financial Management
New England Merchants National Bank
Scudder, Stevens & Clark

were received by Mr. Ashley and copies distributed to: G. P. Gardner, Jr., J. W. Weeks, G. B. Wright, J. G. Smith, H. L. Popenoe and C. C. Lastavica.

II - May 5, Minutes of the Corporation Meeting

NATURE OF VOTES:

1. My negative vote on the reelection of Mr. Gardner was because of the $80,000 in commissions paid to Paine, Webber in 1980.

III - May 5, Minutes of the Trustees Meeting

CORRECTION:

1. There was no motion or VOTE on the Treasurer's Report. If there had been, I would have voted in the negative because, as was then known, it contained substantial inaccuracies.

NATURE OF VOTE:

1. Nominations: My negative vote was because of the conflicts of interest of the proposed Chairman of the portfolio committee. I said for the record that he was a past member of the portfolio committee and Chairman of the audit committee which did not review the matter. (As an ex-officio member of the Nominating committee I was not notified of a meeting. This was not mentioned but is, nevertheless, a fact which I would like to have recorded.)

IV - July 7, Minutes of the Executive Committee Meeting

These minutes do not reflect the reason why Mr. Blewer was allowed to resume trading. This ACTION, apparently made by two individuals, is in conflict with previous committee decisions and actions as well as the sense of available reports. The board deserves to know why this happened, and the minutes should be so revised.

I hope that you will be consistent with your letter and incorporate these facts into the adjusted minutes now, so as to avoid taking time in the next board meeting.

Yours sincerely,

Catherine C. Lastavica

Catherine C. Lastavica M. D.

cc: Members of the Board
Mrs. Stone

September 23, 1981

Dr. Catherine C. Lastavica
Box 1443
Manchester, MA 01944

Dear Kitty:

I have your letter of September 8 concerning suggested revisions of the minutes of the Executive Committee meetings and of the Corporation and Trustees meetings. Other than for the July 7 meeting of the Executive Committee, the other minutes were prepared by John Weeks and I think it will be up to him or the Board to determine what corrections should be made.

Referring to the minutes of the July 7 meeting, when you state that they do not reflect the reason why Mr. Blewer was allowed to resume trading, I am the first to admit the minutes of the Trustees' meeting of May 5 were incomplete on that point. For example, if you will look at page 5 of the minutes, under the Portfolio Committee report, you will note that "Mr Gardner said that until the newly formulated Portfolio Committee had finished its study, the investment adviser should be restricted not to place new brokerage with Blyth Eastman Paine and Webber." What was omitted was a motion I made that the Portfolio Committee or the Chairman instruct Mr. Blewer to resume trading if in his judgment dictated it. This motion was made because on that very date of May 5 our financial markets were somewhat chaotic and it was felt that the portfolio of our size should not be frozen because of the action taken in February. After that motion was made and seconded, George Gardner was the one who mentioned that his brokerage firm should not be involved in any action. That motion was passed either unanimously or by a substantial majority. Thus your statement in your letter of September 8 that the action ~~to theume~~ to resume trading was made by two individuals is not in accordance with the action of the full Board on May 5.

With all good wishes.

Sincerely,

J. Wayne Reitz

DR. CATHERINE COOLIDGE
P.O. Box 1443
Manchester, Mass. 01944

Tel. (617) 526-1641

September 8, 1981.

Mr. Jesse Miles
Managing Partner, International
Arthur Young & Company
277 Park Avenue
New York, New York

Dear Mr. Miles:

I am taking the liberty of addressing you because my trust in my fellow trustees has been shaken by recent events. We have had a portfolio manager who churned the endowment portfolio apparently to the benefit of one of our trustees' brokerage firms; we have had reporting from the portfolio manager which was grossly in error; we have had a review of the events prepared by one of our trustees, which he withdrew; we have had an investment audit which is supervised by Mr. G. Burke Wright of United Brands, who as chairman of the Audit and Portfolio Committees has not bothered to find out what was going on; we as a committee of the Board decided to change the investment adviser, a decision which was reversed by said Mr. Wright and our board chairman without notifying the board and, finally, we have a treasurer who had not communicated with your representatives, Mendieta and Associates, about changes in the custodian and the serious errors in the portfolio manager's reporting, until I reprimanded him in my August 24 letter (enclosed).

The treasurer's answer (also enclosed) is at best confusing and incomplete; futhermore, it is written to Mr. Alpert, I assume your representative related to the above investment audit, but does not address itself to the need to adjust the Financial Statements prepared by Mendieta and Associates which is a document issued by your representative which has to be corrected.

I do not doubt the integrity of your firm and am writing this letter to assure that your auditors review our financial records with the care and diligence required in this delicate situation.

Yours Sincerely,

Catherine C Lastavica

Catherine C. Lastavica M.D.

cc: Sr. Adolfo Midence S.
Edif. Midence Soto
Apartado 6
Tegucigalpa, Honduras

Mr. Joseph V. Scibetta
Senior Vice President
Castle & Cooke Foods
50 California Street
San Francisco, CA 94110

GEORGE P. GARDNER, JR.
100 FEDERAL STREET
BOSTON, MASSACHUSETTS 02101

September 3, 1981

Dr. J. Wayne Reitz
2105 NW 27th Terrace
Gainesville, Florida 32605

Dear Wayne:

I admire the way you answer letters - particularly letters that come with persistent regularity from volatile ladies on an assortment of different subjects!

Frankly, I confess I don't really know what makes her tick. Quite regardless of her campaign in my direction, I was literally stunned the other day to learn from Burke Wright that she had apparently taken it upon herself to write Seymour Milstein, head of United Brands, asking him for $100,000. You and I know how counterproductive this sort of uninformed solicitation can be. It has only been through luck (and I like to think a little good management) that we have been able to keep U.B. in a continuing role as our largest single corporate contributor.

By doing this she put Burke Wright in a totally impossible position because he didn't know anything about the whole affair until Milstein called him in and asked him what it was all about! No one should pursue contributors on their own without coordination with others. This goes double or triple for someone like U.B. I pray that this careless maneuver hasn't unduly alarmed the folk at U.B. and by highlighting their contribution given them an excuse for reducing or eliminating it. Let's just keep our fingers crossed.

I only mention this to you in passing because to me it is just another example of counterproductive hyper-activity.

Bless you and best of luck. Hope to see you before long.

George

P.S. Please don't circulate my letter. Others may go for that sort of tactic but certainly I don't.

G.

GPGjr/hk

August 28, 1981

Dr. Catherine C. Lastavica
Post Office Box 1443
Manchester, MA 01944

Dear Kitty:

In accordance with my letter of July 28 to you, I am this day mailing to members of the Board a copy of your letter of July 1 to John Weeks.

In your letter of August 7 to me (which you apparently sent to all Board members) you ask that I explain why the Executive Committee "tampered with the record of the annual meeting of the Corporation of May 5." I did not attend the meeting of the Executive Committee on July 7. Perhaps I used the wrong term in my letter to you dated July 28 when I stated that the Executive Committee "insisted" that John delete certain materials in the minutes of the Corporation meeting which had been originally circulated but obviously not yet approved. The action of the Executive Committee was advisory yet in my judgment entirely proper and appropriate.

I believe you should know that the minutes need only reflect actions taken and the nature of the vote when not unanimous. The amount of discussion recorded is at the discretion of the secretary. Certainly the secretary is entitled to some latitude in what is reported. He is under no obligation to report personal biases, and pieces of correspondence even though he may record the general flavor of the discussion if he deems it desirable. Of course individual corporate members are entitled to make suggestions, as you are now doing, and as members of the Executive Committee have done collectively. The minutes of the Corporation meeting of May 5 as recently mailed by me shall stand until such time as they may be modified by the Board. I doubt seriously if the Board is in a mood to make other than corrections of possible errors.

With all good wishes.

Sincerely,

J. Wayne Reitz
Secretary

Please disregard my August 11th letter. It was inadvertently modified and mailed by my secretary.

Here is your letter and my reply.

CCL

DR. CATHERINE COOLIDGE
P.O. Box 1443
Manchester, Mass. 01944

Tel. (617) 526-1641

August 7,1981.

Dr. J. Wayne Reitz, Secretary
Escuela Agricola Panamericana
P.O. Box 14425
Gainesville, Florida

Dear Wayne:

Would you be so kind as to explain why the Executive Committee, which reports to the Board, tampered with the record of the Annual Meeting of the Corporation of May 5th. Please be sure to include on the agenda for the next board meeting a review of the forthcoming minutes of the executive committee as well as the minutes of the previous board meeting.

The special portfolio committee to which you refer was inappropriately appointed in that it is chaired by a board member with conflicts of interest in the matter.

Of course it is my intention to have my remarks in the minutes of the corporation and board meetings and to see that they reflect the truth.

Yours Sincerely,

Kitty

Catherine C. Lastavica, M.D.

cc: EAP Board Members
encl. (1)

ESCUELA AGRICOLA PANAMERICANA
P.O. Box 14425
Gainesville, Florida 32604

Office of the Secretary

July 28, 1981

Dr. Catherine C. Lastavica
Post Office Box 1433
Manchester MA 01944

Dear Kitty:

This is a belated acknowledgment of your letter of July 14, but we returned only last Friday from an extended trip to Germany and Switzerland.

You request that I include a copy of your letter of July 1 to John Weeks when I mail the minutes of the May 15 trustees meeting. I am sure that it is not your intention to incorporate your letter as a part of the minutes since the executive committee at its recent meeting in New York insisted that John delete from the minutes of the Corporation meeting certain materials that had been incorporated in memoranda and letters. I shall be willing, of course, to include your letter to John with a mailing to Board members sometime in the next few weeks. I do believe, however, that it would be best for you and all concerned if we left this whole matter to the work of the special portfolio committee.

With all good wishes, I am

Sincerely,

Wayne

J. Wayne Reitz

July 28, 1981

Dr. Catherine C. Lastavica
Post Office Box 1433
Manchester MA 01944

Dear Kitty:

This is a belated acknowledgment of your letter of July 14, but we returned only last Friday from an extended trip to Germany and Switzerland.

Your request that I include a copy of your letter of July 1 to John Weeks when I mail the minutes of the May 15 trustees meeting. I am sure that it is not your intention to incorporate your letter as a part of the minutes since the executive committee at its recent meeting in New York insisted that John delete from the minutes of the Corporation meeting certain materials that had been incorporated in memoranda and letters. I shall be willing, of course, oto include your letter to John with a mailing to Board members sometime in the next few weeks. I do believe, however, that it would be best for you and all concerned if we left this whole matter to the work of the special portfolio committee.

With all good wishes, I am

Sincerely,

J. Wayne Reitz

DR. CATHERINE COOLIDGE LASTAVICA
P.O. Box 1443
Manchester, Mass. 01944
Tel. (617) 526-1641

Dr. J. Wayne Reitz
2105 N. W. 27th Terrace
Gainesville, Florida

July 14, 1981.

Dear Wayne:

As the secretary of the EAP board of trustees, would you be so kind as to include my enclosed letter to John Weeks with the minutes of the May 5th trustees meeting.

Thank you very much,

Yours sincerely,

Kitty

Catherine C. Lastavica, M.D.

HARVARD UNIVERSITY
SCHOOL OF PUBLIC HEALTH

DEPARTMENT OF
TROPICAL PUBLIC HEALTH
TEL. (617) 732-1201
CABLE ADDRESS: TROPHEALTH, BOSTON

665 HUNTINGTON AVENUE
BOSTON, MASSACHUSETTS 02115

July 1, 1981

Mr. John W. Weeks
Museum of Science
Science Park
Boston, MA 02114

Dear John:

Thank you for including some of my remarks in your minutes of the EAP Corporation meeting held this past May 5th. Since you did not include any of my remarks from the Trustees Meeting, I request that this letter be included as an appendix to the Trustees Meeting.

Approval of Minutes

I asked that the minutes of the Executive Committee Meeting of February 6th, 1981 be corrected because two decisions regarding financial matters had been omitted. First, it was decided to instruct the advisor to stop trading except for those transactions related to revolving assets and with the approval of Mr. Ashley. This decision was implemented and had been in effect since February 12th. Second, the three regular members of the portfolio committee present and the two Vice-Chairmen, as ex-officio members, met following the Executive Committee Meeting and decided unanimously to change the investment advisor. Subsequent communications between the Chairman, the Vice-Chairmen and the Chairman of the Portfolio Committee indicated their continuing support for this decision. Mr. Ashley then obtained several proposals from different investment advisors interested in managing the EAP portfolio and circulated these to the other members of the Portfolio Committee.

Treasurer's Report

I stated that the Treasurer's Report was incomplete and could not be accepted without an explanation of the findings of Mr. Ashley's April 16th memorandum. The report of the Treasurer in the previous meeting had been erroneous, and neither he nor the investment advisor had known the value of the portfolio at any one time. The school's actual income from endowment was only around 5% of the portfolio.

There was no motion or vote on the Treasurer's Report unless it occurred later in the afternoon after I had left the meeting.

Mr. John W. Weeks
July 1, 1981
Page Two

(I had expected that Mr. Ashley's April 16th memorandum would be addressed at this meeting. In April, when the chairman was in Boston, Mr. Ashley invited me to join them and Fred Winthrop for lunch. The memorandum was being discussed when I arrived and learned that it had been circulated to at least half the members of the Board of Trustees. It was the sense of the lunch that the solution was obvious, and my impression was that the remaining Trustees would receive copies of the memorandum so that the matter could be resolved at the upcoming Trustees Meeting, thus avoiding the expense of an outside audit and any further delay which would probably have a deleterious effect on fundraising in 1981 and the future. Since the memo had not been sent by the time the Chairman had left Boston and as he had no office here, I sent it, with Mr. Ashley's approval and encouragement, to the remaining regular Trustees.)

Nominating Committee Report

(As an ex-officio member I was not notified of a meeting, nor was I advised of the report to be given the following day when I saw both the Chairman of the Board and the Chairman of the Nominating Committee on the evening of May 4th.)

I objected to the appointment of Mr. Wright as Chairman of the Portfolio Committee because of Mr. Ashley's memo indicating that he had a conflict of interest as a past member of the Portfolio Committee. Furthermore, United Brands where he is Vice President - Public Affairs was receiving the transaction tickets, as well as the Treasurer, and he did not raise the question of excessive trading nor did he take steps as Chairman of the EAP Audit Committee. The committee appointments made on May 5th, 1981 again show overlap between the Portfolio and Audit Committees which is inappropriate and unacceptable.

Since the overcharge by Paine Webber for the last half of 1980 was not controversial, I wrote the enclosed letter to the Treasurer, Mr. Ashley, on June 2nd. His reply of June 4th and my follow-up letter of June 10th are also included.

With Best Wishes,

Sincerely,

Catherine C. Lastavica, M.D.

CCL:co
cc: EAP Trustees and
Honorary Trustees

June 2, 1981

Mr. Austin S. Ashley, Esq.
Bingham, Dana & Gould
100 Federal Street
Boston, Massachusetts 02110

Dear Mr. Ashley:

Now that you are the Treasurer of the Escuela Agricola Panamericana, it would seem to me most appropriate for you to request a refund from Paine Webber if this has not already been done. Since Paine Webber acknowledged that they were charging the school the full rate on transactions because they were the custodian free of charge, and, since they continued to charge the full rate after the New England Merchants National Bank became the custodian in mid 1980, and, since it is unlikely that Paine Webber would wish to overcharge the school, it would appear beneficial to recover these funds as soon as possible. I am sure that the Director would be grateful in view of continuous cash flow problems at the school.

With best wishes,

Sincerely,

Catherine Coolidge Lastavica, M.D.

BINGHAM, DANA & GOULD
100 FEDERAL STREET
BOSTON, MASSACHUSETTS 02110
TELEPHONE: (617) 357-9300
TWX: 7103210169
CABLE ADDRESS: BLODGHAM BSN

EUROPEAN OFFICE:
5 CHEAPSIDE
LONDON EC2V 6AA
TELEPHONE: 01-236 2182
TELEX: 888179
CABLE ADDRESS: BDGLDN G

CAPE COD OFFICE:
146 MAIN STREET
PARK SQUARE
HYANNIS, MASSACHUSETTS 02601
TELEPHONE: (617) 771-2161

June 4, 1981

Catherine C. Lastavica, M.D.
P. O. Box 1443
Manchester, Massachusetts 01944

Dear Kitty:

I have your letter of June 2nd regarding the brokerage commissions.

It is my feeling that under the circumstances a claim for a refund is not really the prerogative of the Treasurer alone, but is a matter to be authorized by the Board, or the Executive Committee at the least.

With kindest regards.

Sincerely,

Austin

Austin S. Ashley

ASA:j

HARVARD UNIVERSITY
SCHOOL OF PUBLIC HEALTH

DEPARTMENT OF
TROPICAL PUBLIC HEALTH
TEL. (617) 732-1201
CABLE ADDRESS: TROPHEALTH, BOSTON

665 HUNTINGTON AVENUE
BOSTON, MASSACHUSETTS 02115

June 10, 1981

Mr. Austin S. Ashley, Treasurer
Escuela Agricola Panamericana
Bingham, Dana and Gould
100 Federal Street
Boston, Massachusetts 02110

Dear Mr. Ashley:

I have your letter of June 4 regarding the brokerage commissions. It is surprising to me that you, as the principal financial officer of the corporation, feel that you cannot claim a refund from Paine Webber on behalf of the Escuela Agricola Panamericana.

Although the problems resulting from excessive trading by the investment adviser, John M. Blewer, Inc., and the conflict of interest involving Mr. George P. Gardner are more complicated to resolve, overcharging on the part of Paine Webber for the last half of 1980 is simple and straightforward. Paine Webber Vice President Mr. Robert Brady told you that the rate of 21¢ a share traded was due to their acting as custodian on this account. Paine Webber ceased to be the custodian on June 28, 1980, but, probably through an administrative omission, the same rate was charged throughout the year. Your records verified by Mr. Brady indicate that the commissions were $41,331.00 for the second half of 1980. Assuming that the proper rate was 7.5¢ instead of 21¢ the refund should be $26,570.00.

Contrary to your statement that the recovery of the school's funds, paid as overcharges in brokerage fees, needs to be authorized by the Board, I believe that the matter should be cleared up as expeditiously as possible. Honorary Trustee Thomas D. Cabot and I both feel that it would be "ridiculous" to think that Paine Webber would take advantage of this school. Certainly those in Honduras would be grateful for a prompt refund of the indicated amount.

Yours truly,

Catherine Coolidge Lastavica, M.D.

cc: Mr. Andrew J. McDonald
Senior Vice President and Director
New England Regional Marketing
Paine Webber Jackson and Curtis, Inc.
100 Federal Street
Boston, MA 02110

Mr. Donald B. Marron, President
Paine Webber Jackson and Curtis, Inc.
140 Broadway, New York, NY 10005

DR. CATHERINE COOLIDGE
P.O. Box 1443
Manchester, Mass. 01944

Tel. (617) 526-1641

Dr. Reitz

August 24, 1981.

Dear Mr. Ashley:

The Board of Trustees of the Escuela Agricola Panamericana has received the 1980 Financial Statement from Mendieta y Asociados representing Arthur Young and Company. The section dealing with investments is in error and underestimates the value of the portfolio by approximately $300,000.00. It is evident that the auditors had access to the investment adviser's, Mr. Blewer's, figures, which were unreliable, but not to those of the custodian. The year end statement from The New England Merchants National Bank, the custodian, is enclosed.

It was the school's responsibility, and specifically yours as Treasurer, to inform Mendieta y Asociados of problems regarding the valuation of assets and, at least, of the change in custodianship from Paine, Webber to The New England Merchants National Bank. Failure to inform the auditors of events in the United States shows lack of candor and has caused an inaccurate report which could jeopardize their reputation. Furthermore, the "portfolio committee" has retained Arthur Young to perform an investment audit, and, given this 1980 Financial Statement, further reports from Arthur Young cannot inspire the confidence due an impartial, outside evaluation.

I hope that every trustee will assume his responsibility for the resolution of this matter.

Yours sincerely,

Catherine C. Lastavica, M.D.

cc: EAP Trustees
encl. (1)

Austin S. Ashley, Esq.
Bingham, Dana and Gould
100 Federal St
Boston, MA 02110

ACCOUNT 4-61766-08

STATEMENT OF TRANSACTIONS

	DESCRIPTION	BOOK VALUE AMOUNT	12/31/80 PRICE	MARKET VALUE
185,000	U S A TREAS BILLS 1/8/1981	179,705.71	99.896	184,807.60
305,000	U S A TREAS BILLS 2/12/1981	293,569.70	98.601	300,733.05
745,000	U S A TREAS BILLS 2/19/1981	712,545.94	98.344	732,662.80
245,000	U S A TREAS BILLS 8/13/1981	223,685.00	91.689	224,638.05
1,140,000	U S A TREAS BILLS 10/8/1981	1,003,148.70	89.957	1,025,509.80
4,440 SHS	BIG THREE INDUSTRIES INC.	239,011.00	62.00	275,280.00 ✓
40,500 SHS	CENTRAL & SOUTH WEST	539,540.54	12.875	521,437.50 ✓
3,000 SHS	DILLINGHAM COPR $2 CONV. PFD	73,579.88	34.25	102,750.00 ✓
5,000 SHS	EXXON CORP.	340,000.00	80.625	403,125.00 ✓
124 SHS	FIRST NATL BANK OF ANCHORAGE ALASKA	62,000.00	425.00	52,700.00 ✓
7,000 SHS	GREAT NORTHERN NEKOOSA	275,651.40	38.875	272,125.00 ✓
4,600 SHS	HELMERICH & PAYNE INC.	193,376.10	43.75	201,250.00 ✓
24,000 SHS	IMPALA PLATINUM HLDGS LTD ADR	208,467.40	6.50	156,000.00 ✓
12,000 SHS	MEAD CORPORATION	281,429.80	26.00	312,000.00 ✓
3,000 SHS	N L INDUSTRIES INC.	188,364.04	76.375	229,125.00 ✓
14,000 SHS	PACIFIC GAS & ELECTRIC	297,931.00	20.50	287,000.00 ✓

E A P GENERAL FUND 12/31/80 PAGE 2

ACCOUNT 4-61766-08

STATEMENT OF TRANSACTIONS

	DESCRIPTION	BOOK VALUE AMOUNT	12/31/80 PRICE	MARKET VALUE
5,000 SHS	ROYAL DUTCH PETROLEUM 20 GUILDER SHS	430,000.00	97.50	487,500.00 ✓
7,000 SHS	TEXACO INC.	286,986.26	48.00	336,000.00 ✓
20,000 SHS	TEXAS UTILITIES	341,160.00	18.625	372,500.00 ✓
11,675 SHS	WESTERN BANK COOS BAY ORE	338,575.00	7.25	84,643.75 ✓
19,248 SHS	WYOMING BANCORPORATION	346,464.00	20.125	387,366.00 ✓
9,200 SHS	WYOMING NATIONAL CORP.	242,834.00	23.00	211,600.00 ✓
	TOTAL ASSETS	7,098.025.47		
	PRINCIPAL CASH#	336,362.79		336,362.79
	TOTAL ACCOUNT	$7,434,388.26		7,497,116.34

#Pending purchase 8,000 shs Amax, Inc. on 1/6/81.

Portfolio Committee

MEMORANDUM

August 25, 1981

TO: Mr. Thomas Mooney
Dr. Wayne Reitz
Mr. Charles Wheeler

From: G.B. Wright

Re: Arthur Young & Co. review of questions raised in Mr. Ashley's letter of April 16 relative to EAP portfolio.

In late July, I reviewed Mr. Ashley's letter of April 16, and prepared the attached list of questions which I felt were pertinent to the subject review by Arthur Young. The questions were then given to AY staff along with suggestions to contact Mr. Ashley, Mr. Gardner and Mr. Blewer as necessary (all had volunteered to assist with the necessary figures).

Some of the questions (those checked) may be a matter of judgement by the committee, after AY has determined the necessary numbers called for in other questions.

To date, AY has prepared a list of trades showing value, commission paid, etc. (from United Brands records) as a starting point. They will now proceed to contact Messrs. Ashley, etc. and do other research as necessary. I have asked for a report from them by September 11. They believe they can meet this date, if information is reasonably prompt in coming from the others involved in the review.

In the meantime, I would like to suggest that we meet as a committee during the three-day period set aside for the Executive Committee meeting, October 2-4. Mr. Wheeler will not be able to be present, but I will get together with him beforehand (as soon as the AY report is ready) and will have his views prior to meeting with the rest of the committee.

I would hope that we can reach some conclusions with respect to the alleged overcharges and other matters raised in Mr. Ashley's letter, at this meeting in Zamorano. Subsequently, I would like to plan another committee meeting in New York or Miami to hear presentations by six advisors whose proposals you have as well as Mr. Blewer, to determine our future course on the management of the Portfolio.

Burke
G.B. Wright

cc: John Smith

. Questions to be verified

EAP PORTFOLIO

1. Is it customary to add accrued interest on Treasury Bills?

   - My understanding is that T-bills are bought at a discount and redeemed at face value. What do most pension funds do in terms of evaluating short-term government securities of this type.

2. What is AY opinion of the matter of "over-valuing" of OTC securities? Such securities should probably be valued at "bid" prices, to be conservative.

   - how much is involved here? Which securities?

3. What was Impala Platinum value on December 31, 1980?

   - how much (total) here? as % of portfolio

4. Question of Western Bank of Coos Bay stock dividend - was it finally delivered to N.E. Merchants? When? Reason for delay? Amount involved?

5. What is the security referred to as "in re-registration" and what is amount involved?

6. In evaluating these portfolios, it is customary to look at unrealized as well as realized gains. When one says the portfolio is "up" 10% total return, it means to most people that the value of the portfolio at end of period (including unrealized gains) plus the income taken from the portfolio during the period (spent or reinvested) amounts, together, to 10% of the value of the portfolio at the beginning of the period.

   With that definition in mind, referring to thirg para. of Mr. Ashley's April 16 letter?

   - can the adviser's evaluation and custodian's evaluation be reconciled; or putting it another way, what are the differences in adviser's total return of $1.444 million and custodian's $1.719 million? This is a significant difference (almost 20%) and should be reconciled. We should know the correct figures.

   - likewise, the income amounts should be reconciled, although Mr. Ashley's letter indicates a difference of only 1.9% here, less significant than the capital difference.

   - reference to the commercial paper/S&P index fund was evidently made to indicate that we could have done as well as the adviser under these circumstances, although letter seems to indicate that custodian's figures were used as the standard to measure adviser. Really nothing to audit on this point??

7. What has adviser done, in total return, year by year since first full year he had the account? To obtain this, use his computer runs but income will have to be obtained - his runs show only capital appreciation.

8. What was turnover rate in 1980? How many trades were made and what was the value of the trades? What was total commission cost in total dollars? I think here we should have a list of all trades, (#of shares, cost, selling price, commission on buy side, on sell side, and "standard" (non-discounted) commission as well as the actual commissions paid, and of course dates of trade.

   How is figure of 181% determined? Is it value of trades during the year divided by value of portfolio at beginning of year (in other words, sales and purchases would have amounted to 181% of $6,142,000 or about $11,117,000?)

   Does the 21¢ per share figure have any real significance? Most commissions are figured on value of the shares sold. (A $10,000 trade should have a lower commission per share than a $500 trade). Can we obtain any figures which show costs of EAP trades vs. other pension fund trades made by Paine Weber?

   Significance of trades before Paine Weber gave up custodianship - were the trades more costly (the list above, with dates should show this.)

   Who or how can we substantiate the 10¢ share figure; can we check with other brokers to determine, somehow, that the same vlume of trades would have cost only 10¢? I doubt our ability to determine this, but perhaps Mr. Ashley has more concrete data.

   How can the matter of a possibly larger income stream be checked (assuming less volatility)? And, one might say, even if there were a larger income stream, the capital appreciation might be less so this becomes a matter of judgement for the Committee??

9. Did the school's accountants ever comment on turnover in the account (Honduras accountants)?

   I believe that AY <u>does</u> scrutinize custodian and brokerage records as part of their audit.

10. Was there in fact, a loss of $39,000 on option transactions in 1980? Apparently reference is to <u>realized</u> loss?

11. Does 3rd paragraph on p. 3 mean that only the equity portion of the portfolio was measured as to Beta? If so, this seems, contrary to Ashley letter, to be correct. One does not measure Beta on T-bills.

12. Most portfolio managers do include uninvested cash as part of the portfolio for fee purposes.

The above questions apply to Ashley letter of April 16. With respect to Mrs. Lastavica's letter of May 15:

13. Referring to question #8 above, were the commissions charged "full" commissions? If not, the answer to question #8 should show a list of trades with commissions, prices per share and some judgement can be made by the Committee as to whether EAP was overcharged by $40,000 as charged.

    A later letter of June 10 describes the "overcharge" as $26,570.

Prepared by:

G. B. Wright
July 24, 1981

ESCUELA AGRICOLA PANAMERICANA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 1980

MENDIETA Y ASOCIADOS

REPRESENTANTE DE

ARTHUR YOUNG & COMPANY

LICENCIADOS EN CONTADURIA PUBLICA Y ADMINISTRACION DE EMPRESAS

THOMAS D. CABOT
125 HIGH STREET
BOSTON, MASSACHUSETTS 02110

June 30, 1981

Dear John:

Thank God for women! We cannot do without them, but it is sometimes pretty hard to do with them. It was I who thought Doris Stone would be a good Chairman of the Trustees of the EAP, and it was I who had the job of firing her when she undertook to tell Bill Paddock, the distinguished PhD agronomist whom we had running the school, just whom he could admit as students, what he should teach them, whom he could appoint as faculty and even how to trim the shrubs and other details of housekeeping.

Now I am an old man, and I do not want to get into a scrap, but I do feel some responsibility for having supported "Doctor Lastivica" at a stormy meeting in Zamarano some years ago. She, in her inimitable way, came in with a report of the Nominating Committee, which may not have made much sense, but when Reitz, Gardner and others tried to argue with her, I backed her. I had the feeling that we had given her some responsibility and that we either must fire her or accept her report. I am not as eloquent as you English, but I am fairly adept in fighting in the parliamentary arena. I used various tricks of that trade which provoked others on the Board, but we won. Now, this childish petulence of hers embarrasses me. I should think it would make our Latin friends contemptuous, and I hope the contempt does not extend to the Board as a whole.

I do not know what you can do about this. It makes no sense to have her on the Portfolio Committee and her claim that George should not have let Paine Webber charge full commissions is no way to treat an honorable and loyal friend of the School.

Her nominating herself as Chairman and lying about it being the unanimous report of her committee was an even worse abomination. My recommendation would be that she be removed from all committee responsibility as fast as possible.

I send you this as a personal letter so that you will know that you have my backing. I would be willing to sit with the

Charlotte Mogeing -
Football Tickets.
For Steve O'Connell [illegible]

Portfolio Committee if you think it would help to restore credibility. I want to continue my loyalty to EAP. I am sending a $5,000 check to John Weeks today.

Sincerely yours,

Tom

Mr. John Gordon Smith
Agropecuaria La Langun, S.A.
Guatemala, Guatemala

TO: EAP TRUSTEES

FROM: G.B. WRIGHT

RE: EAP PORTFOLIO

DATE: December 1, 1981

At the request of Mr. John Smith, the attached report is being sent to EAP directors who were not present at the November 20th meeting of the Board.

G.B. Wright

To: Board of Trustees
Escuela Agricola Panamericana

From: G. B. Wright

Re: Portfolio Committee Chairman's Comments:
Arthur Young review, dated September 25
of questions raised by certain trustees
regarding the investment management of
EAP Endowment Fund portfolio by
John M. Blewer, Inc.

With further reference to my memorandum of October 28, to which was attached the subject review by Arthur Young & Co. together with certain other pertinent documents, an examination of the review would indicate that many of the questions raised were of a minor nature and were answered by corrections contained in the AY report. For example, the valuation of Impala Platinum shares, the question of whether or not the advisor included accrued interest in his evaluation, etc. It seems pointless to review them again here, although questions on these matters, if they are not clear, are welcome.

The really significant questions which were raised, in our judgement, were the following:

A) What was the total return of the portfolio under Blewer's direction in 1980, and although it was not specifically asked, how does this performance compare with others?

B) As a corollary to this question, was there undue turnover or "churning" in the account?

C) As a second corollary, were the commissions charged by the brokers, (principally Paine Weber) too high for an account of this size?

Turning to each of these questions, my comments would be as follows:

A) Total return. Total return on an investment portfolio such as this is calculated as follows:

> Market value of securities at end of period plus income achieved during the period divided by the market value at beginning of period. Additions or withdrawals from the fund during the period must also be considered.

On this basis, and using figures from Mendieta audits for 1979 and 1980 calendar years, the total return for this portfolio is as follows:

Market value, securities only, 12/31/80*	$7,196,636	
Uninvested cash in endowment fund****	336,363	7,532,999
Market value, securities only, 12/31/79***	5,855,803	
Uninvested cash in endowment fund***	285,704	6,141,507
Gain in value of portfolio during year		1,391,492
Accrued interest and dividends during year*		516,415
Total return on portfolio during the year		1,907,907
Less funds withdrawn by the school for operating expenses		350,000
Net increase in value of portfolio for the year		1,557,907

* Mendieta/Arthur Young audit for 1980
** Arthur Young September 25 review of portfolio
*** Mendieta/Arthur Young audit for 1979
**** Custodian (N.E. Merchants) year end report

$$\text{Total return} = \frac{\$1,907,907}{6,141,507} = 31.1\%$$

As noted in the Arthur Young report, they were unable to determine how Mr. Ashley (apparently Mr. Lastavica) calculated a total return of $1,791,000. The adviser's claim of $1,444,899 was taken from his records and is discussed in the AY review. It does not include the uninvested cash balance at year end, however and this is the principal reason for the sizeable difference between his figure and the figure of $1,907,907 above. The figures above have been identified as to source, and would appear to be accurate. In the usual evaluation of an investment adviser, however, they would be somewhat overstated (by about $40,000) since one does not normally include accrued interest on T-bills in a monthly or quarterly evaluation.

When we compare this total return with the 1980 figures for the several investment advisors whom we have invited to present their plans to us, we find (for 1980 and the 5 year period ending in 1980):

Advisor	1980	1976-1980
Blewer (EAP)	31.1%	211.0%
Batterymarch	16.6%	257.0%
Thorndike Deland	26.5%	178.2%
Mass. Financial	37.9%	236.8%
Scudder Stevens	21.8%	175.3%
Shearson Amer Expr	22.9%	183.0%

It should be noted that all of these figures are composites, except Blewer's and they thus reflect different degrees of risk and also

different degrees of investment philosophy. All are tax-free pension or endowment funds, however. Further and more detailed comparisons will be made when the Committee takes up the question of hiring a new advisor or advisors, or retaining Mr. Blewer. It does seem fair to conclude from these figures that Blewer's management of the fund has been above average (26.1%) and that it has been satisfactory from the point of view of a relatively high income stream which is required for the School's operating expenses. Whether another advisor can do a better job is a subject for the Committee to investigate next, but for the moment it seems reasonable to conclude that Blewer has done a creditable job.

B) Turnover or "churning". Portfolio turnover or "churning" is, of course, a somewhat subjective issue. My own feeling is that net results are what count; turnover should not be a matter of concern if investment results are above average and if the advisor is otherwise meeting objectives in terms of safety, income stream or other targets which the committee might set. In that results have been above average, it is hard to support a claim that results would been better if portfolio turnover had been reduced.

Turnover in 1980 was as follows:

Purchases	$6,049,713	
Sales	6,710,436	$12,760,149
Securities, year end, 1979		4,403,340

Turnover, defined as total of purchases and sales divided by portfolio value at beginning of year = 289%

At United Brands, our pension fund administrator indicated that 200% was a high figure; but, as indicated above, he added that investment results were the real criterion on which the advisor should be judged.

Exxon's Assistant Treasurer, responsible for their pension fund administration, felt that this turnover is high and that this involves increased brokerage and spread costs but he added that some investment advisors have this style. Despite the high turnover, the Exxon man felt that Blewer's results during 1980 and during the 1976-80 period were very acceptable; the high turnover is certainly no evidence of malfeasance or mismanagement. He also noted dthat the EAP fund is a non-taxable account, so that tax liability, one of the principal inhibitions in running a private trust account, is not applicable to this fund. He did add that as a separate issue, the Committee may wish to consider whether they want to continue to allow this kind of turnover in the future.

Examination of the individual trades in the account shows no evidence of buying and selling the same security repeatedly, another evidence of "churning".

My own conclusion is that turnover was higher than might normally be expected in a portfolio of this size; but that the investment results were above average also. My recommendation is that the committee should discuss this further with Blewer and get his comments. As noted above, this is a subjective kind of issue and one which I believe the Committee should address in conjunction with his overall performance; it is not an issue which can be answered in isolation.

C) Commissions. The Arthur Young review indicates that commissions charged by Paine Weber prior to June 24, 1980 (when custodianship of the securities was transferred to N.E. Merchants Bank) was 21¢ per share; subsequent to that date, commissions were 17.9¢ per share. Mr. Ashley's (or presumably Mr. Lastavica's) letter of April 16 indicates that commissions should be "in the range of 5 to 10 cents per share."

The Arthur Young review also indicates the commissions paid on each transaction during 1980, in the tables in the back of the book. These tables show commissions ranging from a few in the 45¢ range down to several clustering around the 20¢ range to a few in the 6¢-7¢-8¢ range. There is no discernible pattern or reason for the differences in these trades, although generally speaking commissions should be, and seem to be, lower on larger volume trades. But even here there are exceptions, as examination of these tables shows.

Paine Weber was asked to comment on this matter, and a copy of their letter is attached. They note that they and another firm jointly handle the account of a large Boston law firm's pension funds, both executing orders at 20¢ per share. They also note that their in-house investment management firm, Mitchell Hutchins, kept records on commissions charged by brokers on pension funds which they advise, and that these rates were 20¢ per share.

While transactions in the United Brands pension fund portfolios were handled at much lower average costs per share, trades were generally for substantially larger volumes of shares than the EAP portfolio.

The Exxon Assistant Treasurer indicated that a figures of 20¢ per share appeared to be an acceptable figure in view of the size of the trades.

I personally checked with an investment manager whom I have known for many years, and after giving him total shares and total commissions, he volunteered the comment that if we had gotten good execution, we had been fairly charged. He added that it represented "about" 45% discount from the old "standard" rates. (Paine Weber's letter of November 5 indicates that an independent research firm, in a 1979 study, found that the average commission charged major pension and endowment funds was discounted some 40.1% from the old "standard" rates.)

On the basis of these findings, it would seem that EAP trades were made at normal, average rates of commissions and that there was no reason whatever to believe that the portfolio was overcharged. The AY review would indicate that Paine Weber charged less for commissions after it was no longer the longer custodian, as it said it had done and I can

find no reason for criticism of Paine Weber's commissions on this account.

When we sought Mr. Blewer's comments on whether or not he felt we were getting the best commission rates, he was somewhat defensive about the matter, saying that order execution was a more important factor and that shopping for sharper commission rates was often not worth the errors in transactions. He also noted that other services provided by brokers including, for example, Paine Weber's custodianship, brokerage house research,etc. were often factors in dealing with a specific broker. The Committee was not entirely satisfied with this answer and our new investment objectives will include instructions for him (or any other advisor whom we may select) to improve or provide the best possible overall commission rate consistent with accurate execution.

There are a few other points which should be mentioned in view of the conclusions of the Arthur Young review:

1. The various discrepancies on the "cost" of the portfolio between Mendieta and the new custodian are due to the fact that the new custodian's "cost" is the value on June 24, 1980 when they were placed in his custody. Obviously, the cost to the portfolio was the cost when purchased and except for securities purchased after this date, the values will be different.

2. It is difficult to evaluate the charge about the Beta of the portfolio. Mr. Ashley's (evidently Mr. Lastavica's)letter of April 16 notes that the beta was .89, which "would have been favorable if true. Unfortunately, the number is spurious since only 65% of the portfolio was used as a basis for the calculation." If one assumes that the calculation was based on the securities portion of the portfolio only, since beta is not normally measured on the cash portion of a portfolio, the beta of the portolio was indeed favorable. However, AY was unable to determine what was meant here, since Mr. Lastavica indicated that his schedule would not permit him to respond to further questions on his earlier work for Mr. Ashley.

3. In examining these records, I find that under Paine Weber's custodianship, idle funds were invested for short periods before purchasing new securities in a money market fund, paying interest at money market rates. Now, however, these funds are invested for these short period in a New England Merchants savings account paying only 5%. I want to look into this as soon as possible for obvious reasons.

In concluding these comments, it seems important to put the 1980 performance into perspective. I am confident that not only was Mr. Ashley diligent in his supervision of the advisor during the year, but that Mr. Blewer was attentive to the portfolio's needs, and that Paine Weber acted entirely in good faith and that there was no impropriety evident in any of their activities.

I am equally convinced that United Brands and Arthur Young performed their functions correctly in the accounting and auditing areas. United Brands essentially performs an accounting function for the school; they record trades, reconcile prices on trades, record dividends and assist Arthur Young in preparing for the school's audit. Arthur Young and their Honduras associate, Mendieta y Asociados were in my opinion, diligent in their audit and Arthur Young's office in New York has been particularly generous with their time in the performance of their September 25 review.

In my judgement, there is nothing in Arthur Young's findings nor in the Committee's consideration of the turnover or commission questions which indicates any sort of malfeasance or impropriety. Although these conclusions are my own, I have discussed them with the other members of the Portfolio Committee, and they are in general agreement with my conclusions.

Nearly all of the questions which have been raised about portfolio performance during 1980 were raised by only one trustee and the cost of this review, not only in the out of pocket costs which Arthur Young graciously agreed to share, but in the time of several trustees, has far exceeded the value of the investigation, in my judgement. Most of the Committee members' time has been occupied with this review since the present Committee was constituted, and we believe that it is time to put this behind us and proceed to other matters such as the setting of investment objectives, closer supervision and regular reviews with the investment advisor and the possible selection of a new or additional advisor next year.

Respectfully submitted.

GBWright

G. B. Wright
11-19-81

PAINE
WEBBER
JACKSON
&CURTIS
INCORPORATED

MEMBERS NEW YORK STOCK EXCHANGE, INC.

100 FEDERAL STREET · BOSTON, MASSACHUSETTS 02101

RECEIVED

DEC 2

G. B. WRIGHT

ROBERT C. BRADY
VICE PRESIDENT

(617) 423-8550

November 5, 1981

Mr. G. Burke Wright
United Brands Company
1271 Avenue of the Americas
New York, New York 10020

Dear Mr. Wright:

In response to the inquiries of your committee regarding the commissions charged Escuela Agricola Pan-Americana by our firm, we have developed the following bench marks:

1. At Paine Webber, we have an inhouse management company, Mitchell Hutchins Asset Management. They keep records on commissions charged their accounts on an overall basis. For 1980, the average commission was .20¢ per share.

2. In our office, we handle the account of a major Boston based law firm. We furnish this firm with research and do 50% of all trading activity. The other 50% is done by a major New York stock exchange firm. We both execute orders with a rate of .20¢ per share.

3. In 1979, Greenwich Research Associates surveyed a group of portfolio managers on a national level and determined the average commission charged major pension and endowment funds were discounted at a rate of 40.1%. We have enclosed a copy of this study for your information.

This type of information is very difficult to obtain. On May 1, 1975 when the S.E.C. mandated the securities industry fully negotiate commissions, they added severe penalties for collusion. Therefore, broker to broker conversations regarding discounting do not normally occur.

Mr. G. Burke Wright
November 5, 1981
Page 2

I sincerely hope this information is helpful to you and your committee. If we can be of any further assistance, please contact our Boston office.

Sincerely,

Bob Brady

Robert C. Brady
Vice President

cc: George P. Gardner, Jr.
100 Federal Street 31st
Boston, Mass. 02101

enc: copy, commission discounts

RCB/kaw

After three years of *under*estimating the amount by which brokerage commissions would be discounted in the following year, institutional investors *over*estimated the discounting that would prevail during 1978. Discounts were expected to be 42.0%; they actually were 39.8%.

Looking ahead to 1979, most groups of institutional investors expect virtually no change in discounts from the nearly 40% discounts that prevailed during 1978.

The magnitude of commission discount varies primarily by size of institution. Broker-affiliated investment managers get greater discounts than do other types of institutions of comparable size.

Mutual funds are an exception to the general pattern. Not only did they obtain greater discounts during 1978 than they had predicted early that year, but they also got greater discounts than any other group of institutions.

Looking ahead, mutual fund managers expect to attain even greater discounts in 1979, while most other types of institutions do not expect to get significantly greater discounts.

How Actual and Expected Average Commission Discounts Have Varied by Type of Institution

Type of Institution	Actual in 1975	Actual in 1976	Actual in 1977	Actual in 1978	Expected for 1979
Money Center Banks	36.3%	39.1%	44.7%	44.1%	45.0%
Large Regional Banks	30.9%	36.1%	36.6%	39.7%	40.0%
Medium Regional Banks	26.8%	31.9%	39.0%	35.5%	36.5%
Small Regional Banks	26.6%	29.8%	35.9%	37.3%	37.7%
Mutual Funds	37.0%	39.7%	45.8%	47.5%	48.6%
Large Investment Counselors	34.5%	37.7%	49.3%	45.4%	43.9%
Medium Investment Counselors	30.9%	33.0%	41.3%	40.7%	41.2%
Small Investment Counselors	26.4%	31.2%	36.5%	36.7%	37.2%
Large Insurance Companies	35.8%	38.7%	42.0%	44.8%	44.3%
Small Insurance Companies	27.2%	32.1%	36.5%	37.7%	38.6%
Pensions and Endowments	29.8%	33.8%	41.5%	40.1%	40.0%
Broker Affiliates	29.8%	33.1%	41.2%	44.2%	44.1%
Total Institutions	29.5%	33.4%	39.5%	39.8%	40.0%

EXHIBIT A

April 16, 1981

To the Members of
The Portfolio Committee:

Mr. George P. Gardner, Jr.
Mr. John W. Weeks
Mr. G. Burke Wright
Mr. John G. Smith
Dr. Catherine C. Lastavica
Dr. Hugh L. Popenoe

Since the meeting in Miami in February where questions regarding Blewer's performance were raised, I have taken pains to examine with care the records for 1980 in order that we may all have a more precise idea of how the portfolio was managed during the year than was suggested at the meeting. The reason for undertaking this task was that the adviser was not particularly responsive to my requests for specific information about certain transactions and results of performance during 1980 (perhaps because its own records did not readily provide information of the kind I was looking for).

The records examined were the adviser's reports to the Committee, the monthly statements of Blythe Eastman Paine Webber Inc. ("PW") who acted as custodian for part of year, reports of New England Merchants National Bank as custodian, statements of the School's current account with The First National Bank of Boston and brokers' confirmation slips relating to purchases and sales of securities.

The picture which emerges is not clear.

The adviser's reports contain a number of errors. A notable example is that for December, 1980. Initially this showed total assets of $7.501 million, which is the figure the adviser used to measure its own performance, but it was quickly recognized that the total figure overstated the value of a Treasury Bill by $297,000, and a revised version of the report was circulated showing total assets of $7.204 million. This, too, it turns out, is not correct since it omits accrued interest on Treasury Bills of $56,000 and cash in a demand account in the amount of $336,000 but includes $8,000 said to be in a savings account. According to the depositary the balance in that savings account was zero at year end.

The adviser's pricing of portfolio securities at December 31st differs from the custodian's in several respects. The adviser's values exceed those of the custodian by a total of $100,000. Impala Platinum, for example, is over-valued by $48,000 and the pricing of over-the-counter issues is somewhat more optimistic than might be considered appropriate.

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In fact, Impala Platinum is not regularly quoted, causing one to wonder about the wisdom of carrying such a security in an endowment portfolio.

About mid-year, New England Merchants National Bank was appointed custodian of the securities in the portfolio. PW had previously acted in that capacity for a number of years. The bulk of the securities were turned over to the new custodian shortly after the appointment but at December 31, 1980, the custodian had not received from PW 583 shares of Western Bank of Coos Bay, Oregon paid in July as a stock dividend. Another security, which was incorrectly held by PW in street name from 1976 until this summer, was in re-registration from April 10 to July 7 but for reasons unknown was not delivered to the custodian until November 6.

The adviser claims total return of $1.444 million for 1980 or 25.4%. Correct arithmetic, based on the adviser's figures, would indicate 23.5%. On the other hand, the custodian's records indicate a total return of $1.719 million or 27.9% which surpasses the adviser's claim. Income from interest and dividends was $411,000 or 6.7% which is 1.7% less than was claimed by the adviser. Capital appreciation of $1.308 million exceeded by $380 thousand the amount obtained by the adviser. Of that total, $586 thousand was unrealized and due to the rise in the market. The balance of $722 thousand in realized gains resulted from successful timing of trades in the second half of the year. By way of comparison (and having in mind that the ratio of fixed income securities and the like to equities has average about 45:55) if 45% of the portfolio had been invested in prime commercial paper and 55% in an index fund with the rate of return guaranteed to equal that of Standard & Poor's 500 stocks and requiring a minimal fee, total return would be approximately $1.457 million or 23.7% or $262 thousand less than was achieved by the adviser in 1980.

Historically, the adviser has not performed as stunningly as in 1980. In some years it has done better than the New York Stock Exchange Index and in other years not so well. Cumulatively over the years it has been within 2.6% of the Index. 1980 was a banner year.

The excellent performance in 1980 was achieved at a cost, however, which can only be regarded as exorbitant. Conventionally, turnover in an endowment portfolio is in the rate from 15% to 25%. In the EAP portfolio, turnover was 181% and commissions on the trades were paid at an average price of 21 cents per share throughout the year. Negotiated commission rates have been available since May, 1975 and now-a-days an endowment portfolio would ordinarily pay no more than something in the range of 5 to 10 cents. Total commissions paid by EAP in 1980 were $93 thousand of which $80 thousand went to PW. A more normal annual cost for commissions would have been of the order of $6 thousand. Had there been less volatility in the account the income stream might have been larger, too. (Actual income in 1980 was less than the estimate of $550 thousand mentioned by Mr. Weeks in budget discussions in May by $139 thousand.)

Whether similar churning of the account took place in prior years should perhaps be looked into. I understand that the School's independent accountants in Honduras at one time commented (informally) on the volatility of the account and that this matter was brought to the attention of the chairman of the portfolio committee on September 28, 1979. It seems to me that in the future the independent accountants should scrutinize the records of the custodian as part of their annual audit.

The experience with call options was disappointing despite the contention of the adviser that a profit of $8 thousand was made. The custodian's records indicate a net loss of $39 thousand on option transactions. So if there had been no option trading in 1980, portfolio appreciation would have been that much greater.

The adviser has submitted a report of Portfolio Volatility and Diversification which is intended to provide, among other things, some measure of the risk factor involved in the composition of the portfolio as compared to that of the securities market as a whole; in other words, to assign a "Beta" rating to it. The Beta of the market as a whole is 1. A lower Beta indicates lower risk and higher Beta indicates the opposite. The adviser suggests that in July the EAP portfolio had a Beta of 0.89 which would be favorable if true. Unfortunately, the number is spurious since only 65% of the portfolio was used as a basis for the calculation and is consequently serious misleading.

The adviser's annual fee for 1981 was billed at $11,251.81 on the basis of the erroneous first version of the December 31, 1980 statement. On the basis of corrected figures, the charge should be $10,806.31 (assuming that uninvested cash is not a part of the portfolio for this purpose). In any event, the amount is modest, being less than half and even less than a third of what would normally be charged by a professional adviser for a portfolio of $7.5 million.

In order that we all have something to help us put the foregoing matters into perspective, I have requested written proposals from five investment advisers with offices in Boston who have experience in the handling of endowments:

(1) Battery March Financial Management
(2) Massachusetts Financial Services
(3) New England Merchants National Bank
(4) Scudder Stevens & Clark
(5) Thorndike, Doran, Paine & Lewis

Copies of the proposals by New England Merchants National Bank, Massachusetts Financial Services and Thorndike, Doran, Paine & Lewis have already been forwarded to you. The other two should be ready shortly.

The first question that has to be answered is simply whether the needs of the School and its ability to attract additional gifts to the endowment

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would not be better served by an adviser other than the one now at work? My own feeling is that they would be. The next question is who should that adviser be?

My recommendation, which I address particularly to the Chairman of the Board of Trustees, is that the response to these questions be made the task of a small select committee whose membership should not include any of the four regular members of this committee so that intimations of prejudice or conflict of interest on the part of any of them can be avoided.

A.S.A.

EXHIBIT B

GEORGE P. GARDNER, JR.
100 FEDERAL STREET
BOSTON, MASSACHUSETTS 02101

April 27, 1981

Austin S. Ashley, Esq.
Bingham, Dana & Gould
100 Federal Street
Boston, Massachusetts 02110

Dear Austin:

I know your job has not been easy. I also know that you are trying to do the best thing for the School. It's the way you have been going about it that I take exception to.

For some reason, despite urging by Portfolio Committee members to hold a meeting - and a note from you saying such a meeting was going to be held - in all the time since January you have not once called your Portfolio Committee together.

The Executive Committee meeting in Miami should have shown you the error of rushing into things without careful verification. Now comes the April 16 memorandum (which I notice was neither signed nor initialled by you) full of assorted details which no one at this moment is equipped to confirm or refute, much less the ex officio members of the Portfolio Committee. It seems to me they have every right to expect what you submit had been scrutinized and discussed by the Portfolio Committee beforehand. It was not.

I'm afraid the bulk of the April 16 memorandum has done little to clarify but a lot to confuse, and possibly damage. Of great concern is the tone of the April 16 memorandum. Maybe you should reread it with an eye to the way in which it casts doubt on the professionalism of the current adviser and others.

The adviser should be evaluated essentially on the basis of the performance of the portfolio - or if not on that basis, on some basis that is well understood.

I agree with the conclusion in the April 16 memorandum that in 1980 the performance was indeed very good. I also agree with you that the fee was very reasonable. As to other comments, I believe the

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current adviser has a right to know what you have circulated about him so he can have an opportunity to speak to these matters with you and the Portfolio Committee.

I am also puzzled by the suggestion that your request for proposals from five possible advisers will "... put the foregoing into perspective". Since the "foregoing" is 13 paragraphs of varied details and comments I think you are wide off the mark.

I would be the first to agree to the selection of a new investment adviser if the Portfolio Committee meeting together on the basis of agreed-upon figures, understanding the meaning of those figures and having had an opportunity for discussion with the current adviser and others, were to come to the conclusion that our current adviser's portfolio achievement does not measure up.

Such Portfolio Committee would have to be composed of people who had business experience in the investment area - but it would not have to include me.

Always sincerely,

George

GPGjr/hk

cc: Mr. John W. Weeks, Portfolio Committee Member
Mr. G. Burke Wright, Portfolio Committee Member
Mr. John G. Smith, Ex Officio
Dr. Catherine C. Lastavica, Ex Officio
Dr. Hugh L. Popenoe, Ex Officio

February 6, 1980

RECEIVED
FEB 8 1980

Dr. Hugh Popenoe, Chairman
Board of Trustees. Escuela Agricola Panamericana
Center for Tropical Agriculture
3028 McCarty Hall
University of Florida
Gainsville, Florida 32611

Dear Hugh:

Thank you for your letter of February 1. I am sorry for any confusion which may have come to pass.

When I called John Smith after receiving your letter of January 7, I did so to encourage him to consider assuming the chairmanship. I made no mention of your resigning but did say that a decision to rotate the chairmanship had been made.

I am not exactly sure what you mean, in your letter of February 1, by my actions during the last year. If you refer to the Annual Meeting last May, the Nominating Committee report, and the discussion which resulted therefrom, perhaps you will remember our conversation in Boston in mid-April. We discussed the Nominating Committee Report at length and , as I recall, you gave clear indication that you were in favor of the report which I gave at the meeting. Since you were on your way to Africa at the time, it was left to me to contact the other members of the Nominating Committee and the Board to sound them out and ask for other suggestions. I received no instructions to the contrary nor any indication of a change in your thinking even though we met again at the dinner the night before the meeting.

In any case, I feel that John would be a good chairman and agree with you that Zamorano and its Director need and deserve the wholehearted support of the Board.

Yours truly,

Kitty

Catherine C. Lastavica, M.D.
Vice Chairman, Board of Trustees
Escuela Agricola Panamericana

cc: Executive Committee
Nominating Committee
Encl. (4)

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INSTITUTE OF FOOD AND AGRICULTURAL SCIENCES

COLLEGE OF AGRICULTURE AGRICULTURAL EXPERIMENT STATIONS AGRICULTURAL EXTENSION SERVICE SCHOOL OF FORESTRY

3028 McCARTY HALL
GAINESVILLE, FLORIDA 32611
TELEPHONE (904) 392-1965
CABLE ADDRESS: CENTROP

INTERNATIONAL PROGRAMS
CENTER FOR TROPICAL AGRICULTURE

February 1, 1980

Dr. Catherine C. Lastavica
Department of Tropical Public Health
Harvard University
665 Huntington Avenue
Boston, Massachusetts 02115

Dear Kitty:

Your letter of January 23 arrived after I received a telephone call from John Smith in which he said you had phoned him with the news that I had said I was resigning and that I gave some compelling reasons for doing so.

As you will note in my letter of January 7, this comment was not made and we have had no other communication on the subject. I was merely replying to your letter of January 2 in which you asked for suggestions. Under similar circumstances I could also name other members of the Board who I think would also make good chairmen. These are the type of Board members we should attract.

I hope you leave such questions to the Nominating Committee. During the last year your actions concerning the chairmanship have not served to strengthen the relationships between the Board and a new Director at a time when it is important that the Board play a strong, decisive role in administrative and policy changes.

Sincerely yours,

Hugh Popenoe

Hugh Popenoe, Chairman
Board of Trustees
Escuela Agricola Panamericana

HP/slw

cc: Executive Committee
Nominating Committee

HARVARD UNIVERSITY
SCHOOL OF PUBLIC HEALTH

DEPARTMENT OF
TROPICAL PUBLIC HEALTH
TEL. (617) 732-1201
CABLE ADDRESS: TROPHEALTH, BOSTON

665 HUNTINGTON AVENUE
BOSTON, MASSACHUSETTS 02115

January 23, 1980

Dr. Hugh Popenoe, Chairman
Board of Trustees, Escuela Agricola Panamericana
Center for Tropical Agriculture
2001 McCarty Hall
University of Florida
Gainesville, Florida 32611

Dear Hugh:

Thank you very much for your reply to my letter of January 2. I am in complete agreement with your recommendation that John Smith be the next Chairman of the Zamorano Board for all the reasons which you state. He certainly has my vote as well as yours. I don't know whether John has definitely committed himself but am sure that he is giving the matter serious consideration.

I hope that the selection of the chairman will be high on the agenda for the February 14th Executive Committee Meeting. An early decision would make future planning easier.

Looking forward to seeing you then.

With best wishes,

Sincerely,

Catherine C. Lastavica, M.D.

cc: The Nominating Committee
The Executive Committee
Dr. Malo

CC/pa

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TELEPHONE: (904) 392-1965
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January 7, 1980

RECEIVED

JAN 11 1980

Dr. Catherine Coolidge
Department of Tropical Public Health
Harvard University
665 Huntington Avenue
Boston, Massachusetts 02115

Dear Kitty:

I appreciate your letter of January 2 and the initiative you have taken on the rotation of the Chairmanship of the Board.

I think that John Smith would make a good Chairman. He has shown a very active interest in EAP, has worked hard on fund raising, is knowledgable about tropical agriculture and could visit the School frequently. In working with me on School matters, he has shown that he is very level headed and has good insights into the problems.

As we have previously discussed, your publicly stated interest in the Chairmanship of the Board would make it a conflict for you to head the Nominating Committee. Therefore, by copy of this letter, I am requesting that Jack Kimberly assume the Chairmanship. You, as Vice Chairman of the Board, can continue to serve as an ex-officio member of the Committee. I hope you will give them your support and any information in response to your letter.

I, too, feel the December Board meeting went well. Now that we have a good Director, the Board will be able to concentrate more on matters of policy and less on administration.

I enjoyed seeing you at Zamorano.

With best regards,

Hugh Popenoe

Hugh Popenoe
Chairman, Board of Trustees
Escuela Agricola Panamericana

HP/km

cc: Mr. John F. Kimberly
Mr. John Weeks

January 2, 1980

Dr. Hugh Popenoe, Chairman
Board of Trustees, Escuela Agricola Panamericana
Center for Tropical Agriculture
2001 McCarty Hall
University of Florida
Gainesville, Florida 32611

Dear Hugh:

I hope that you had a wonderful Christmas in Antigua with perfect December weather. I enjoyed graduation very much, and the large turn out for the Board meeting seemed most encouraging.

Perhaps you would be good enough to send me, within the next month, 2 or 3 names as candidates for the next Chairman of the Board. Since the rotation of the Chairmanship has been agreed upon, I think it important that the nominating committee start its work soon to allow plenty of time to prepare a formal report for the annual meeting. I would appreciate hearing from you very much.

With best wishes for 1980.

Sincerely,

Catherine Coolidge, M.D.

CC/pa

cc: Austin S. Ashley, Esquire

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INTERNATIONAL PROGRAMS
CENTER FOR TROPICAL AGRICULTURE

February 1, 1980

Dr. Catherine C. Lastavica
Department of Tropical Public Health
Harvard University
665 Huntington Avenue
Boston, Massachusetts 02115

Dear Kitty:

Your letter of January 23 arrived after I received a telephone call from John Smith in which he said you had phoned him with the news that I had said I was resigning and that I gave some compelling reasons for doing so.

As you will note in my letter of January 7, this comment was not made and we have had no other communication on the subject. I was merely replying to your letter of January 2 in which you asked for suggestions. Under similar circumstances I could also name other members of the Board who I think would also make good chairmen. These are the type of Board members we should attract.

I hope you leave such questions to the Nominating Committee. During the last year your actions concerning the chairmanship have not served to strengthen the relationships between the Board and a new Director at a time when it is important that the Board play a strong, decisive role in administrative and policy changes.

Sincerely yours,

Hugh Popenoe

Hugh Popenoe, Chairman
Board of Trustees
Escuela Agricola Panamericana

HP/slw

cc: Executive Committee
Nominating Committee

RECEIVED
JAN 24

HARVARD UNIVERSITY
SCHOOL OF PUBLIC HEALTH

DEPARTMENT OF
TROPICAL PUBLIC HEALTH
TEL. (617) 732-1201
CABLE ADDRESS: TROPHEALTH, BOSTON

665 HUNTINGTON AVENUE
BOSTON, MASSACHUSETTS 02115

January 23, 1980

Dr. Hugh Popenoe, Chairman
Board of Trustees, Escuela Agricola Panamericana
Center for Tropical Agriculture
2001 McCarty Hall
University of Florida
Gainesville, Florida 32611

Dear Hugh:

Thank you very much for your reply to my letter of January 2. I am in complete agreement with your recommendation that John Smith be the next Chairman of the Zamcrano Board for all the reasons which you state. He certainly has my vote as well as yours. I don't know whether John has definitely committed himself but am sure that he is giving the matter serious consideration.

I hope that the selection of the chairman will be high on the agenda for the February 14th Executive Committee Meeting. An early decision would make future planning easier.

Looking forward to seeing you then.

With best wishes,

Sincerely,

Catherine C. Lastavica, M.D.

cc: The Nominating Committee
The Executive Committee
Dr. Malo

CC/pa

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RECEIVED
FEB 7 1980

February 4, 1980

MEMORANDUM

TO: Executive Committee and Nominating Committee

FROM: Hugh Popenoe, Chairman, Board of Trustees, EAP HP

SUBJECT: Chairmanship of Nominating Committee

As you may have noted, the committee list sent out with the Minutes of the last Board Meeting show that Mr. Jack Kimberly is now Chairman of the Nominating Committee.

HP/slw