

Town of Swanzey, New Hampshire
TRUSTEES OF TRUST FUNDS
Meeting Minutes – November 12, 2015

Note: Draft Minutes are subject to review, correction and approval by the Trustees. Review and approval of Minutes generally takes place at the next regularly scheduled meeting of the Trustees.

CALL TO ORDER: The meeting was called to order by Chairman Richard Scaramelli at 8:05 a.m. Present were Edward Morenz, Steven Bittel, Richard Scaramelli and Recording Secretary Beverly Bernard.

OTHERS PRESENT: Chair of the Whitcomb Hall Committee Peter Johnson, Treasurer for Whitcomb Hall Committee Lee Dunham, Town Administrator Michael Branley.

MINUTES:

- Minutes of October 23, 2015 were considered. Bittel **moved** to accept the Minutes of October 23, 2015, seconded by Morenz and all were in favor. **Motion passed.**

AGENDA ITEMS:

There was a brief discussion about obtaining help for Bookkeeping from Certified Public Accountant Lynn Rust. Bittel reported that the Rust firm and he would collaborate on end-of-year accounts, in anticipation of formal engagement of Mr. Rust in 2016.

The agenda listed Q3 and YTD accounts, revisit of four securities placed on "watch," update on Whitcomb Hall issues, and noting of recent news re: Mackensen & Co.

- **Report of the Bookkeeper – Q3** – Bittel said he had a computer problem and lost his update to the Common Fund. He said he would get the review done this weekend.
- **Update on Request for Whitcomb Hall account summary and monthly/quarterly reporting** – Peter Johnson was present to discuss receipts and disbursement of donated funds. Scaramelli said that it was surprising that no one has been keeping records for that account. Bittel said he would try to get to that account and provide year-to-date receipts and disbursements. Scaramelli said that the Whitcomb Hall Committee should be accounting for who donates money; Trustees can reconstruct those donations, but we do not provide bookkeeping services for the 30+ accounts whose funds we handle. Balances were discussed. It was noted that \$19,462 is in the Whitcomb Hall fund-raising account and can be spent as needed as approved by the Selectmen. Johnson said that the Committee would like to see each transaction. He asked if Lee Dunham who is functioning as Treasurer could sit with the Bookkeeper Theresa Louder to see what was paid out. Johnson asked about \$3,800 that was spent saying he did not know the purpose of the expenditure. Johnson also asked about a \$10,000 private donation which Bittel said he thought is not part of the \$19,462. Neither Bittel nor Scaramelli recalled an individual donation to Whitcomb Hall in the amount of \$10,000. Johnson said the Committee wants to present to the Selectmen a budget and they need to have a better accounting for funds to do so. Bittel indicated that the Capital Reserve is \$82,500. There was discussion about the \$10,000 donation specifically earmarked for Whitcomb Hall front entrance. The donation was made this year. Johnson pointed out that another donation of \$5,000 was to be used toward the furnace. Bittel suggested that Johnson speak to Louder to get clarity on these transactions. Johnson said he wants an

accounting of the incoming funds so that the Committee is able to manage the funds appropriately especially when the donations were made for specific purchases of goods and services. Bittel spoke about reviewing and reconciling accounts in December with the Bookkeeper. Johnson noted that the Committee would like to send “Thank You” notes to donors. Scaramelli noted that the former Town Administrator did send out “Thank You” notes to donors on behalf of the Committee. Bittel and Scaramelli said that the \$10,000 donation is definitely not part of the \$82,500 — that is an Expendable Trust, composed entirely of funds raised by public appropriation at Town Meeting(s). Bittel said he could not recall seeing a deposit for \$10,000 and Scaramelli agreed. Bittel examined the Trustee “Receipts” file, and could find no record of a \$10,000 deposit. Johnson and Dunham remained at the meeting when the Agenda moved on, in anticipation of the arrival of Theresa Louder.

- **Non-Restricted Funds**

There was a brief discussion regarding non-restricted funds. The Trustees referred to a spreadsheet report provided by Bittel. Bittel said market valuations had hit a nadir in September, but by October were now profitable.

Morenz **moved** to accept the Bookkeeper’s accounting of the Non-Restricted Funds, Quarter 3, second by Scaramelli, and no further discussion. All were in favor. ***Motion passed.***

- **Capital Reserves & Expendable Trusts**

The Trustees reviewed spreadsheets of the accounts provided by Bittel. Scaramelli asked if there were a problem in that only four account balances matched the closing balances for 2014 published in the Town Report. Bittel said he could explain the difference and said he would review the numbers. Bittel noted the Carpenter Home has \$16,304 in its income fund.

Motion was made by Morenz to adopt the report as presented, second by Scaramelli, and all were in favor. ***Motion passed.***

Motion was made by Scaramelli to adopt the School District report for Capital Reserves and Expendable Trusts, second by Morenz, and no further discussion. All were in favor. ***Motion passed.***

- **Carpenter Home Common Fund**

Branley spoke about needing some information about the Carpenter Home Common Fund as to which funds can be accessed for Carpenter Home expenses. Bittel confirmed that only income can be spent, not principal. Branley asked what would happen to Carpenter Home Trust Funds if the Carpenter Home ceased to operate. Could the funds be used for a comparable purpose? Scaramelli answered that the funds cannot be spent if the purpose ceases to exist. If the original purpose no longer exists then the Trustees would have to petition Probate Court with a proposal for Cy Pres. Scaramelli said each trust would need to be researched before Branley’s question could be answered categorically.

As a test case, Scaramelli read from the testamentary bequest of Edna Whitcomb, which explicitly directs that, should the Carpenter Home cease to operate, her funds be distributed to her heirs.

OLD BUSINESS

Review of Investments – The Trustees considered four stocks that they had consigned to a “Watch” list. Morenz said that he is in favor of “Hold” on all four stocks. He referred to a positive view of the economy by equity managers. The bond managers were negative about the economy and what might happen with the Fed. He noted that professional managers had the opinion that the price of oil would be around \$60.00 at the end of 2016.

- **Qualcomm** – was discussed. It has a good dividend but Qualcomm is not getting the royalties due them and is affecting their earnings. The trend over one year is downward. Discussion occurred about the price point for either buying or selling. Morenz said it depends on the economy since the earnings are based on discretionary spending. Scaramelli said the Town purchased 1290 shares at a cost of \$87,500 and now those shares are worth \$73,000. Morenz said the best strategy is “Hold”. The Trustees agreed.
- **Conoco** - \$53 is current price. Last trade was \$53.44. Yield is 5.4 percent. Morenz said the dividend is very good and he would recommend a “Hold” on this stock. Scaramelli said as long as the dividend is maintained, he would agree with Morenz.
Deere - \$71 to \$98 is range. Morenz said Morningstar has a “Buy” on the stock and it is at a low at this point. Economies in India and China are about to expand. Morenz said he believes best strategy is “Hold” on this stock. Bittel said it is stock he likes. Morenz said the stock is solid and no need to keep a “watch” on this stock. The Trustees agreed to “Hold” on this stock and to remove it from “watch” status.
Visa – Morenz said this stock is also recommend for a “Hold” – with small yield, but a growth company. Good performance in the stock. Bittel pointed out that the Town does not own any Visa stock. PE is 30 and is overvalued at this point. Bittel said it is good stock. The Trustees agreed to wait until value levels off before considering a “Buy”.

NEW BUSINESS:

- a) **Recent news regarding Mackensen & Co.** – the Securities and Exchange Commission (SEC) has issued a Cease and Desist order to Mackensen & Co. pursuant to sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, imposing fines and remedial sanctions. The SEC claims in the Cease & Desist order that the performance claimed for MCI’s model portfolios in their advertisements (provided to potential clients) did not represent actual past performance of any MCI model portfolio. The SEC also faulted MCI for failing to adopt and implement written compliance policies, specifically with respect to employees presenting performance information to prospective clients. It was also noted that there was a prior SEC order against Mackensen & Company.

ADJOURNMENT: Morenz **moved** to adjourn, seconded by Scaramelli. Adjournment occurred at 9:16 a.m.

Next scheduled meeting: January 21, 2016 at 9:30 a.m.

Respectfully Submitted,

Beverly Bernard, Recording Secretary