

Town of Swanzey, New Hampshire  
**TRUSTEES OF TRUST FUNDS**  
Meeting Minutes – April 25, 2013

*Note: Minutes are not final until reviewed and approved by the Trustees. Review and approval of minutes generally takes place on the next regularly scheduled meeting of the Trustees.*

**CALL TO ORDER:** The meeting was called to order by Chairman Richard Scaramelli at 10:04 a.m. Present were Chair Richard Scaramelli, Steven Bittel, Ed Morenz and Recording Secretary Beverly Bernard.

**MINUTES:**

The Minutes of April 18, 2013 were considered. Scaramelli **moved** to accept and adopt the Minutes, seconded by Bittel. **Motion passed.**

**OLD BUSINESS:**

**Alex Mason**

Town counsel Sam Bradley has advised the Trustees that the Alex C. Mason Trust and Alexander L. Mason Trust may be merged. The interpretation after much research is that the Trustees are dealing with one person, not two, and that Alex L. Mason is actually Alexander C. Mason. Morenz said that merging makes sense since indication is that they are the same person. The only place the name 'Alex L' is recorded is in unsupported Trustees records. There are records for Alexander Carl Mason, a person born in the late 19th century, but no civil records for an Alex "L". The most likely explanation is that in the hand-written records, a "C" may have been mistakenly transcribed as an "L". Morenz said the Trustees have been due diligent and spent many hours trying to determine if there were in fact two different men the support the two separate accounts. However, no trace of any records (see prior minutes) to support 'Alex L' were found, and it therefore is appropriate to merge the two accounts.

**Motion** by Bittel effective January 1, 2013, on advice of Town Counsel, to merge and combine the individual accounts of Alex L. Mason with the Common Fund account of Alexander C. Mason; accordingly, effective as of January 1, 2013, the Chubb Corp. shares of stock at fair market value together with the related Principal and Income Fund capital accounts will be combined in the Common Cemetery Fund. Seconded by Morenz, all were in favor. **Motion passed.**

**PORTFOLIO TRADES:**

**Common Fund:**

Morenz said he reviewed all the equity holdings in the Common Fund. He said that he is comfortable with most of the holdings. He indicated that Bristol Myers Squibb (BMY) should be more closely reviewed, and Exelon (EXC) should again be considered to be sold as most brokerage houses have a hold on Exelon. Bittel noted that the natural gas prices are up sharply. Scaramelli said that Morningstar reports Exelon at a low of \$29 and the stock is now at \$35; the Town purchased at around \$41. He mentioned the original acquisition rationale was that with oil becoming more expensive and coal under environmental pressure, established lower cost nuclear utilities such as Exelon would be well positioned. The surprisingly abundant supply of natural gas occasioned by hydro-fracking undermined the original purchase thesis. The rationale for retaining the position was Exelon's exceptional yield and

relatively strong balance sheet. The trustees agreed to retain, but closely monitor.

Morenz noted that the H.J. Heinz (HNZ) dividend yield has likely run its course (last payment in April) pending the cash acquisition by Berkshire Hathaway et al, which is expected to close during the current quarter. His point was that full value for the acquisition is priced into the stock and that holding for the buyout date offered little advantage, and that money may be put to better use at this time.

**Motion** by Bittel to sell Heinz (HNZ )at market value (~\$72), Morenz seconded, and all were in favor. **Motion passed.**

Bittel said the Principal Fund's cash position is approximates \$250,000 and another \$50,000 of cash will be added from the sale of the HNZ, for approximately \$300,000 to access. Cash position yields are extremely low – less than 50 basis points. Morenz asked about how much of the \$300,000 would be allocated today. Bittel suggested \$250,000 into investments now.

The Trustees reviewed the tech sector securities and its portfolio allocation.

Bittel suggested that Intel, Apple be considered. The Common Fund currently has \$27,000 of Intel stock, which is less than 1% of the portfolio. Intel's price/earnings ratio (PE) is 11.49, the company's assets are very liquid, and it has solid cash flow. Noting that Apple has been reviewed in detail at prior meeting, Bittel suggested that the Trustees buy more Apple and Intel stock.

Morenz mentioned Qualcomm. Morenz pointed out that Apple and Android tablets use Qualcomm's logic and technology. He did note that the Qualcomm dividend yield of 1.50% is small. Scaramelli mentioned sub-sector Payroll processing as an area of interest and ADP in particular. Morenz said that he would not recommend Paychex but liked ADP. Scaramelli looked up the numbers for ADP: 2.7% yield, current stock price is \$65, current PE is 23. Qualcomm PE is 19.8. Current price is \$66.

A discussion was held regarding other technology sector stock.

Intel, although perhaps not as cutting edge as QCOM, is stable and affordable and has a high yield. Scaramelli pointed that for the purpose of serving as Trustees for the Town, the kind of stock the Trustees look for is stock from companies that are mature, well-managed and whose yield continues to increase. Scaramelli suggested raising the total of investment in Intel to \$50,000 level, which means buying \$23,000. **Motion** by Scaramelli to purchase \$23,000 Intel (INTC), seconded by Morenz, and all were in favor. **Motion passed.**

Morenz and Scaramelli were both in favor of buying Apple (AAPL). Bittel **moved** to buy \$60,000 of Apple (AAPL) stock, seconded by Morenz, and all were in favor. **Motion passed.**

Morenz said he preferred Qualcomm over some of the other potential stock buys in the technology sector. Morenz **moved** to buy \$50,000 of Qualcomm (QCOM), seconded by Bittel, all in favor. **Motion passed.**

The Trustees turned to the natural resources sector, which after discussion represent an 8% sub-sector allocation.

Bittel said he likes Conoco Phillips, which has a low PE of 6.64 and a high yield of 4.53%. A discussion of their balance sheet followed – good cash flows, but heavy CAPEX and somewhat low liquidity. Morenz said the Trustees shouldn't be too overweight with energy stocks, although it is a safe place to be. The Trustees also considered Royal Dutch and Chevron and Exxon. As of Dec 31, 2012 overall energy sector stocks were 14% of the portfolio according to the figures that Scaramelli had.

Scaramelli suggested Oil-Field Services like Schlumberger, whose PE is 18. Bittel said he likes Conoco better with its low PE. Conoco spun-off Phillips 66. A discussion was held about the spin-off and other refiners before returning to Conoco. It is currently trading at \$58, which is under the median, which would make it a good time to buy. **Motion** by Bittel to buy \$50,000 ConocoPhillips (COP) at market value, second by Morenz, with all in favor. **Motion passed.**

Having allocated \$183K of \$300K to be invested, the discussion continued reviewing other possible stock purchases to make.

Scaramelli suggested ADP and Morenz agreed. ADP is at 52 week high, in middle \$60's. Yield is 2.7, PE is 23. Bittel mentioned Air Products & Chemicals. The high was \$105, median is \$96, and yield is 3.31. There are a lot of Buy recommendations on it. Main competition is Airgas, Inc. Air Products is the larger and more stable company. Morenz said that Air products would give the Trustees more diversification. Air Products & Chemical is listed as Industrials. United Technologies is a great company, but we have enough stock already. Air Products has good cash flow. Scaramelli said he would like to raise others if the Trustees were considering Industrials. Scaramelli suggested that the Trustees research this company to discuss further at the next meeting.

Scaramelli suggested check processors like Visa, MasterCard, and Discover. Bittel was concerned about heavy regulatory oversight. Scaramelli pointed out that Visa and MasterCard are international companies now and may have less issue with regulations overseas. The Trustees agreed that plastic is being used more and more and governments like the accountability of electronic commerce.

Bittel suggested General Electric (GE), which the Town currently holds \$23,220 in stock. Morenz said that 3M is a great company. Bittel would be in favor of 3M. 3M (MMM) which has 16.9 PE, yield is 2.4, at price of \$106.00. Both Morenz and Bittel liked those numbers.

Scaramelli noted that the Town's portfolio percentage for Health-care stocks is substandard at 10% when Standard & Poor's has recommended 12%. The Trustees discussed Johnson & Johnson which has a PE of 21, and posts a 3% dividend. The stock is at around \$85.00. Bittel said that perhaps the Trustees should simply create a list and monitor the market, and if the stock price comes down, then buy, but agreed that Johnson & Johnson should be in the portfolio. Morenz said he would prefer to buy \$50,000 of Johnson & Johnson now. Bittel **moved** to purchase \$50,000 of Johnson & Johnson (JNJ), seconded by Morenz, all were in favor, **motion passed.**

The following decisions to sell and buy were made today by the Trustees:

- Sell entire position in HNZ with expected proceeds of approx. \$50,000.
- Buy \$233,000 as follows:
  - \$23,000 INTC.
  - \$60,000 AAPL.
  - \$50,000 QCOM.

- \$50,000 COP.
- \$50,000 JNJ

**Non-Restricted Funds Return**

With the account at Vanguard now open, a discussion was held about the \$337,000 funds held at Connecticut River Bank's ICS account (cash yield 30 bp). After a discussion of alternative Vanguard investments it was suggested to transfer \$150,000 into two funds: Vanguard's Short Term Investment Grade Fund (cash yield 114 bp; duration 2.3 yrs) and GNMA (Ginnie Mae) Fund (cash yield 2.21 bp; duration 4.4 yrs). The decision based upon minimal credit risk with shorter durations and then yields.

Scaramelli suggested that the Trustees commence with slightly lower levels – allocating \$50,000 each for GNMA and Short Term Investment Grade. Bittel said he would prefer \$75,000 each to invest a total of \$150,000, which is slightly less than half of the funds.

**Motion** by Scaramelli to transfer \$75,000 to Vanguard GNMA Admiral Class Fund (VFIJX) and \$75,000 to the Short Term Investment Grade Admiral Class Fund (VJSUX), transferring from the sweep account at Conn River Bank to Vanguard to be done as soon as possible, seconded by Bittel, all were in favor.

***Motion passed.***

**Cemetery Fund** – having recently reviewed the accounts. the Trustees decided to defer any action on this fund at this time.

**ADJOURNMENT:**

Bittel moved to adjourn, seconded by Morenz. Adjournment was at 11:37 a.m.

Next scheduled meeting is trip to Concord on May 30, 2013.

Respectfully Submitted,



Beverly Bernard, Recording Secretary