

TRUSTEES OF THE TRUST FUNDS  
CITY OF PORTSMOUTH, NEW HAMPSHIRE  
MINUTES OF JANUARY 24, 2013 MEETING

A regular meeting of the Trustees of the Trust Funds for the City of Portsmouth, New Hampshire was held on January 24, 2013 at the 4<sup>th</sup> Floor Law Library at Portsmouth City Hall. The meeting was called to order at 7:32 a.m.

Present were Trustees Phyllis Z. Eldridge, Dana S. Levenson and Thomas R. Watson. Also present were Peter Torrey, David Allen, Katharine Crawford, John Bohenko, Peter Robbins, David Hines, Suzanne Woodland, Judie Belanger and Benjamin Anderson.

The minutes of the January 10, 2013 meeting were reviewed and, upon motion duly made and seconded, approved.

Payroll and operating expense checks were reviewed and signed.

Ms. Eldridge reported on the receipt of the proposed trust agreement establishing the 135/143 Daniel Street Charitable Trust. Copies of the agreement were distributed. Mr. Bohenko confirmed the receipt of approximately \$1.5 million from the sale of the former Army and Navy Association building on Daniel Street which is to serve as the corpus of the trust. A preliminary discussion then ensued concerning the terms of the trust and proposed investment strategies for the corpus. Mr. Bohenko explained the City's concerns with maintaining the corpus and emphasized that the primary goal of the investment strategy should be preservation rather than growth. He advised a very low risk policy.

Mr. Anderson and Ms. Crawford spoke on behalf of Prescott Park Arts Festival. They presented a preliminary schedule of events for the 2013 season and began a discussion of its components. That discussion was interrupted at 7:52 a.m. due to a fire alarm in City Hall. The meeting was suspended in order to evacuate the building.

The meeting resumed at 8:12 a.m. Ms. Eldridge reported that Ms. Crawford and Mr. Anderson had departed during the suspension but indicated their intent to resume their discussion of the 2013 PPAF season at the next meeting of the Trustees.

Messrs. Robbins and Hines of HM Payson joined the meeting to present an annual performance review of the trust funds under their management. They reported an annualized return for 2012 of 10.2%.

Messrs. Robbins and Hines presented an extensive overview, intermixed with questions and answers with the Trustees, of the performance of the portfolio as a whole and individual component funds over one year, three years, five years and since inception, both in relation to certain market indices and to the blended benchmark established by the Trustees. They presented an overview of the markets generally over the last year and a discussion of how certain investment policy decisions made by the Trustees in the early part of 2012 benefited the performance of the portfolio.

Messrs. Robbins and Hines also presented an overview of their assessment of future market performance. They recommended a small rebalancing of the portfolio from corporate bonds to equities. On further discussion, upon motion duly made and seconded, the recommended rebalancing was unanimously adopted by the Trustees.

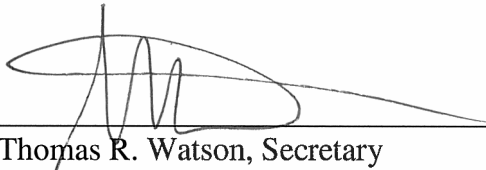
Messrs. Robbins and Hines next presented a long-term sustainability analysis for the Prescott Fund, as previously requested by the Trustees. They explained the methodology for making 1-year, 5-year, 10-year, 20-year and 31-year performance projections and the use of computer simulations. They then interposed those projections over certain annual draw or spending expectations, both with and without inflation. It was observed that, to maintain current levels of spending and after factoring in management fees and modest inflation, the portfolio would have to generate a 7.5% annualized return. An extended period of question and answer thereafter followed.

Assistant City Attorney Woodland thereupon joined the meeting and led an overview and discussion of the terms of the 135/143 Daniel Street Charitable Trust Agreement and the purpose of the trust and likely uses and dispositions of the corpus. After further discussion, upon motion duly made and seconded, the Trustees voted to enter into the trust agreement and accept the funds to be deposited with them.

The earlier discussion concerning the investment policy for the \$1.5 million in trust corpus then resumed. City Finance Director, Judie Belanger, joined the meeting. Various short-term options which allow for low-risk preservation of the corpus were discussed. After further discussion, Mr. Torrey was instructed to meet with Ms. Belanger to develop investment recommendations for Trustees' consideration at its next meeting. In the interim, after verification that any deposit will be covered under the City's supplemental deposit insurance plan, Mr. Torrey was authorized to deposit the corpus into a City account at Citizens Bank.

The chair reported that the next meeting will take place on February 7, 2013.

There being no further business, upon motion duly made and seconded, the meeting was adjourned at 9:44 a.m.

  
Thomas R. Watson, Secretary