COMMONWEALTH OF MASSACHUSETTS
PROBATE AND FAMILY COURT DEPARTMENT

ESSEX, ss. Docket No. ES09E0094QC

ALEXANDER B.C. MULHOLLAND, JR., et al. Plaintiffs,	)
v.	)
ATTORNEY GENERAL OF THE COMMONWEALTH OF MASSACHUSETTS, et al. Defendants.	)

AFFIDAVIT OF PETER FOOTE

I, Peter Foote, being of majority, hereby depose and state as follows:

1. I have been a Feoffee of the Grammar School in the Town of Ipswich since 1994. I currently serve as the manager and treasurer of the Feoffees of the Grammar School in the Town of Ipswich.

2. I am aware of the history of the Feoffees of the Grammar School in the Town of Ipswich dating back to the creation of the Feoffees by the Will of William Payne.

3. On October 25, 2010, all seven Feoffees attended a meeting with Rachel Roesler, Loanne Wilson, and Jennifer Bauman. Also in attendance was the Feoffees' counsel William H. Sheehan III. The Feoffees and their counsel fielded questions posed by Ms. Roesler, Ms. Wilson and Ms. Bauman regarding the operations of the Feoffees. Attorney Sheehan spent about an hour discussing the value of Little Neck.

4. At the March 23, 2011 annual meeting of the Feoffees, it was voted to change the make-up of the Committee on Affairs, which was then the sole committee of the Feoffees, from the life feoffees, as historically constituted, to a committee of the whole.

5. Attached hereto are true and accurate copies of the following documents:

A. May 11, 2010 vote of the Ipswich Town Meeting;

B. October 25, 2010 vote of the Ipswich Town Meeting;

C. May 17, 2011 vote of the Ipswich Town Meeting;

D. Feoffees' Expert Disclosure Pursuant to Mass.R.Civ.P. 26(b)(4)- J. Owen Todd;

E. Feoffees' Expert Disclosure Pursuant to Mass.R.Civ.P. 26(b)(4)- Jerome Hass;

F. Dollars Generated by Feoffees and Available for Distribution to the Schools with supporting documentation;

G. December 2008, Press Release;

H. May 2009, Press Release;

I. January 2010 Press Release;

J. Feoffee memorandum re: professional management fees; and

K. March 5, 2010, Letter from Colliers, Meredith and Grew to Jamie Fay.

Signed under the pains and penalties of perjury this 27th day of January 2012.

_____

Peter Foote

A

ARTICLE 20 WASTEWATER TREATMENT PLANT UPGRADE

On Motion of Patrick J. McNally, duly seconded, it

Carried Unanimously to:

Authorize the Treasurer to borrow **$1.8** million for the purchase of equipment for the construction and rehabilitation of the sludge dewatering facilities at the Wastewater Treatment Plant; and to raise this appropriation by authorizing the Treasurer, with the approval of the Board of Wastewater Commissioners, to issue bonds or serial notes under the provisions of Massachusetts General Laws Chapter 44, as amended.

ARTICLE 21 FEOFFEES TRUST

On Motion of Richard F. Howard, duly seconded, it

Carried to:

Request that the School Committee continue its action in Probate Court seeking to modify the Trust establishing the Feoffees of the Grammar School as the governing board of the Trust to establish a publically appointed board to replace the current privately appointed board which includes three Selectmen serving *ex.officio*; and further, to encourage a resolution of the Feoffees litigation with Little Neck residents that fully protects the interests of the Ipswich Public Schools and the Town of Ipswich; and further, to request that the School Committee proceed in consultation with other Town bodies including the Board of Selectmen and the Finance Committee.

ARTICLE 22 RECONSIDERATION

On Motion of Patrick J. McNally, duly seconded, it was

Voted Unanimously to:

Postpone this article indefinitely.

Meeting adjourned at 12:15 AM, Wednesday, May 12, 2010

Respectfully submitted,

Pamela Z. Carakatsane, CMMC, CMC
Town Clerk

B

2) To transfer $98,016 from free cash to the School Department to reimburse for the State School Building Authority's increase in reimbursements for the High School/Middle School project; and

3) To transfer $126,277.95 from a special insurance account to reimburse the School Department for the cost of roof damage to the High School and Doyon School during the severe storm in February 2010.

And further,

To reduce the School Department budget by $50,551 due to the change in Chapter 70 funding for FY 2011 that occurred after the school budget was voted at the Annual Town Meeting so that the total Fiscal 2011 school operating budget of $20,363,261, as so amended, shall total $20,613,575.95 leaving the amount to be raised and assessed as $20,220,210.

The Moderator declared that the MOTION carried UNANIMOUSLY.

ARTICLE 4 FY'11 WHITTIER REGIONAL HIGH SCHOOL BUDGET

A **MOTION** was made by Raymond Morley, and duly seconded, to:

Raise and appropriate the sum of $350,095 for the Town's share of the FY 2011 Annual Operating, Capital and Debt Service expenses of the Whittier Regional Vocational Technical High School District.

The Moderator declared that the MOTION carried UNANIMOUSLY.

ARTICLE 5 FEOFFEES LITIGATION

A **MOTION** was made by Jamie Fay, and duly seconded, to:

1) Request that the School Committee proceed in consultation with the Board of Selectmen and the Finance Committee to promptly take such actions in Probate Court to modify the Trust establishing the Feoffees of the Grammar School as the governing board of the Trust by establishing a publicly appointed board and to seek a resolution of the Feoffees litigation with Little Neck residents that fully protects the interests of the Ipswich Public Schools and the Town of Ipswich.

2) Transfer $300,000 from free cash to a special legal account within the FY 2011 municipal budget to pay for legal, real estate and other professional services required by the School Committee, Board of Selectmen and/or Finance Committee related to the Feoffees litigation and modification of the Trust creating the Feoffees of the Grammar School, the School Committee having agreed that the legal strategy will be determined by the School Committee in consultation with the Board of Selectmen and Finance Committee, and pursuant to a procedure devised by the three boards; and

3) Establish a requirement that any funds expended from this account by the School Committee shall be repaid by the School Committee to the Town of Ipswich general fund as soon as possible, but not to exceed 3 years after receipt of the Feoffee disbursements to the School Committee which total or exceed the amount of such funds.

The following MOTION to AMEND was made by Craig Saline, 13 Plum Sound Road, by inserting the following sentence, and was duly seconded:

"Any expenditure of funds must be approved in advance by School Committee, Finance Committee and Board of Selectmen."

A MOTION to MOVE THE QUESTION was made by John Clark, 26 Oakhurst Avenue, and was duly seconded.

The Moderator declared that MOTION TO MOVE THE QUESTION FOR THE AMENDED MOTION PASSED by a 2/3 voice vote.

The Moderator declared that the AMENDED MOTION CARRIED, 100 in favor and 89 opposed.

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John Clark, 26 Oakhurst Avenue, questioned the quorum. Upon counting the voters in the auditorium there were 179 registered voters.

A duly seconded motion was made by Mr. Clark to recess the meeting for twenty minutes. At the end of the twenty minute recess 172 registered voters were counted.

Charles Surpitski made a motion, which was duly seconded, to adjourn the meeting and reconvene on October 26, 2010, at 7:30 PM. at the Ipswich Performing Arts Center.

The Moderator declared that the MOTION to reconvene CARRIED.

****

The legal voters of the Town of Ipswich met in the Ipswich High School/Middle School Performing Arts Center in said town of Ipswich on Tuesday, October 26, 2010. A quorum being present (215 present - 200 required), the meeting was called to order by the Moderator, Mr. Arthur James Grimes, III, at 7:55 P.M.

Non –registered persons were given permission to attend the meeting as spectators and were seated on the floor in the back of the room on the left of the stage.

Counters were John Grady, William Wasserman and William Nelson.

C

ARTICLE 26 FEOFFEES TRUST

A MOTION was made by Mitchell B. Feldman and duly seconded to:

Vote to approve Article 26 as set forth in the warrant for the May 10, 2011, Town Meeting with the proviso that the authorized funds shall be transferred into the FEOFFEES Litigation Fund in the FY '11 and FY ' 12 municipal budgets as follows:

(a) Transfer the sum of $50,000 from fee cash to supplement the special legal account established within the FY 2011 municipal budget under Article 5 of the Special Town Meeting of October 25, 2010, to pay for legal, real estate and other professional purposes related to the FEOFFEES litigation and modification of the Trust creating the FEOFFEES of the Ipswich Grammar School; and

(b) Transfer the sum of $250,000 from free cash to a special legal account to be established within the FY 2012 municipal budget, to pay for legal, real estate and other professional purposes related to the FEOFFEES litigation and modification of the Trust creating the FEOFFEES of the Ipswich Grammar School;

And provided that:

1. Expenditures of said Feoffees Litigation Fund shall require approval of the Board of Selectmen, the School Committee, and the Finance Committee after recommendation of Tri-board Working Group made up of three members of the School Committee and two members each from the Board of Selectmen and the Finance Committee.

2. The School Committee and their attorneys shall produce an Action Plan within 30 days of this Town Meeting detailing the actions to be taken to assure prompt accomplishment of the goals set by this and prior Town Meetings to:

a) Maximize the economic return of Little Neck, either through negotiating an acceptable, maximum sale price, or a market based land rent, in the event that the property is not sold; and

b) Restructure the Feoffees trust to reflect the content of the FY2010 town meeting article addressing the structure of the Feoffees as soon as possible either by litigation, petition to the Legislature or both.

3. The Action Plan must be approved by all three Boards before any expenditures are made from the Feoffees Litigation Fund.

4. The School Committee and their attorneys shall report monthly to the Tri-board Working Group on their progress and the next steps in implementing the Action Plan along with a bill for services.

5. Funds expended from this account by the School Committee shall be repaid by the School Committee to the Town of Ipswich general fund as soon as possible, but not to exceed 3 years, after receipt of the Feoffees disbursements to the School Committee which total or exceed the amount of such funds.

The Moderator declared that the MOTION CARRIED BY A SIMPLE MAJORITY.

D

Expert Disclosure Pursuant to Mass. R. Civ. P. 26(b)(4)

Attorney J. Owen Todd is expected to testify at trial that Plaintiffs in the case of Lonergan v. Foley, Essex Superior Court C.A. No. 067-02328D (the "Superior Court Litigation") are reasonably likely to prevail at the trial of the case, either in whole or in part. Attorney Todd was counsel to Plaintiffs in the Superior Court Litigation. It was the settlement of the Superior Court Litigation that resulted in the Feoffees (who were Defendants in the Superior Court Litigation) filing a Complaint for Deviation in this Court.

The following facts, which will be established in the Feoffees' direct case in this Court, inform Attorney Todd's expert opinions in this matter:

Mr. Lonergan et al., with the assistance and guidance of the Little Neck Legal Action Committee ("LNLAC"), filed the Superior Court Litigation as a putative class action – on behalf of themselves and others similarly situated (collectively, the "Little Neck Residents") – largely as an effort to seek an adjudication of their property rights and other legal rights *vis-à-vis* the Feoffees. Under a 1660 grant from William Paine, the Feoffees are owners of the land in Little Neck in Ipswich, Massachusetts ("Little Neck") for the benefit of the Ipswich Grammar School. The Feoffees lease Little Neck to the 167 Little Neck Residents who own cottages there.

Immediately prior to commencing the Superior Court Litigation, Plaintiffs sent a demand letter dated July 28, 2006 to the Feoffees pursuant to G.L. c. 93A (the 93A Demand Letter"). The 93A Demand Letter set forth claims for unfair and deceptive business practices relative to the Feoffees' extensive dealings with Plaintiffs on Little Neck. The events which immediately precipitated the 93A Demand Letter were that the Feoffees sent ultimatums to each of the Little Neck Residents in the form of notices to quit and "take it or leave it" leases with a drop-dead date for execution of August 1, 2006. The new leases sought to impose new rents at Little Neck

at dramatically higher levels than ever before. These escalated rents did not factor in the expenses paid by the Little Neck Residents, such as real estate taxes or the cost of the wastewater improvements, nor did they factor in the historic course of conduct of the Feoffees relative to rents. In addition, the Feoffees sought to double the rent on the existing tenancies of the Little Neck Residents. The Feoffees also failed, in connection with their notices to quit, to provide for how Little Neck Residents would be compensated for the value of their improvements to the land (including the value of their cottages) in the event of evictions. The Little Neck Residents, by and large, are not wealthy persons and the Feoffees began engaging in these tactics right at the beginning of the recession when real estate values were going down.

After the Feoffees failed to make a reasonable settlement offer in response to the 93A Demand, the Little Neck Residents commenced the Superior Court Litigation. The parties engaged in extensive discovery, which included Plaintiffs taking the deposition of each of the so-called "life" Feoffees as well as the then-current "selectmen" Feoffees.

With significant discovery left to be completed, and with the Plaintiffs intending to move soon to amend to add additional claims, the parties commenced settlement discussions in September 2008. The settlement discussions were highly complex and ultimately lasted over a year before the parties reached a final agreement, which is the subject of the Complaint for Deviation in the Probate Court.

Based upon the facts adduced facts in discovery in the Superior Court Litigation, Attorney Todd will testify that, in his opinion, it was reasonable to believe that Plaintiffs would prevail on some or all of their case in the Superior Court Litigation based upon one or more legal theories. Specifically, Attorney Todd will testify that the theories under which Plaintiffs anticipated receiving a judgment in their favor after trial were as follows:

1. Promissory Estoppel: Before this case was stayed for settlement purposes, Plaintiffs had intended to move to amend to add a count against the Feoffees for promissory estoppel. Plaintiffs will do so in the event the Feoffees do not prevail in the Probate Court. Under the theory of promissory estoppel, the Feoffees are estopped from contradicting their own prior representations and course of conduct relative to the rents at Little Neck. Specifically, and as confirmed in discovery, prior to the purchase of cottages at Little Neck, the chairman of the Feoffees had a practice of telling prospective purchasers that the rents at Little Neck had always been reasonable and that they would remain so indefinitely. These representations included that express notion that any raises would be, in effect, "infrequent and modest." These representations were reaffirmed on multiple occasions during meetings between the Feoffees and the Little Neck Residents over the course of many years. In connection with these statements, members of the Feoffees, whom the Little Neck Residents understood had the power to bind the Feoffees, explained that the taxes that the Little Neck Residents paid to the Town of Ipswich had constituted and would continue to constitute the bulk of the Feoffees contribution to the Ipswich Schools. In reasonable and detrimental reliance upon these statements of the Feoffees, as well as upon the established course of conduct of the Feoffees, the Little Neck Residents purchased and improved their cottages over the course of several years. Under this doctrine, the Feoffees would be estopped from attempting to renege on their prior promises to the Little Neck Residents by, for example, unilaterally imposing an escalating rent scheme that is contrary to the reasonable manner in which rents had been raised

prior to 2006. Given the way this doctrine has been interpreted and applied by Massachusetts courts, the fact that the School Committee (as beneficiaries) may not have approved of these statements prior to the time they were made does not relieve the Feoffees from the operation of the doctrine of promissory estoppel. On the contrary, the School Committee had knowledge of how the Feoffees set and collected rent at Little Neck and approved and acquiesced in how the Feoffees operated. The Feoffees are therefore barred from arguing that they did not have apparent authority to tell the Little Neck Residents how the rents would be set at Little Neck.

As well, both the Feoffees and the School Committee had actual knowledge of the Superior Court Litigation. Both entities were aware that the Little Neck Residents had incurred in the hundreds of thousands of dollars to litigate the case, to conduct and defend against discovery, and to prepare for trial. All of these activities were suspended in reasonable and detrimental reliance upon the Feoffees' authority to settle the Superior Court Litigation. The School Committee had full knowledge of the Feoffees' efforts to settle the Superior Court Litigation and acquiesced in and approve of the final settlement which the Feoffees reached with the Little Neck Residents. The Feoffees and School Committee are, thus, estopped from trying to disavow this settlement.

2. Breach of the Covenant of Good Faith and Fair Dealing, Breach of the Covenant of Quiet Enjoyment, Violation of G.L. c. 93A: The Feoffees' management of Little Neck relative to the Little Neck Residents violated the covenants of good faith and fair dealing and of quiet enjoyment as well as G.L. c. 93A. In addition

to the foregoing representations and course of conduct regarding rents at Little Neck and the costs of the wastewater treatment facility, the Feoffees also engaged in strong-arm tactics relative to the raising of rents and threatened evictions at Little Neck. Attorney Todd will testify that, under settled law, the Feoffees' strong-arm tactics in attempting to unilaterally impose new rents and leases on the Little Neck Residents under threat of eviction were impermissible and constituted violations of the covenant of good faith and fair dealing, the covenant of quiet enjoyment, as well as G.L. c. 93A.

3. Damages under the doctrine of Ward v. Perna: Under the controlling case of Ward v. Perna, 69 Mass. App. Ct. 532 (2007), even in the event that the Superior Court grants the Feoffees authority to proceed to evict certain tenants, the Feoffees would be required to compensate the residents for the value of their cottages, which they purchased and improved in reliance upon the Feoffees' representations and which they are unable to move in the event of an eviction. Under Ward v. Perna, these damages are recoverable either under the doctrine set forth in that case or under an unjust enrichment theory, which is asserted as Count Ten in the Complaint.

4. Recovery of Real Estate Taxes and Increases in Rent and Wastewater Assessments: As a matter of statutory law, "[i]f a tenant paying rent for real estate is taxed therefor he may retain out of his rent the taxes paid by him, or may recover the same in an action against his landlord, unless there is a different agreement between them." Here, there was an express understanding between the Feoffees and the Plaintiffs that any payment towards real estate taxes by Plaintiffs

would be credited against the rents. Contrary to this agreement, the Feoffees did not credit these rent payments to the rent and, therefore, Plaintiffs are entitled to reimbursement of these back taxes under G.L. c. 59, § 12C.

Likewise, the Feoffees imposed increased charges on the Plaintiffs for the new wastewater treatment facility which were unlawful and in excess of and contrary to the documents which govern the Feoffees. Therefore, the Plaintiffs are entitled to reimbursement of these amounts.

5. Attorney Todd will also testify about the likely costs of litigation going forward.

J. Owen Todd's legal career began in 1960 when he was appointed a law clerk to a Justice of the Massachusetts Supreme Judicial Court. In the following year, he joined the Boston law firm of Hale and Dorr and in time became a Partner, a Senior Partner, Co-Chairman of the Litigation Department and the Chairman of the Executive Committee of that firm. In 1988 Attorney Todd left Hale and Dorr to become Justice Todd of the Massachusetts Superior Court. In 1992 he resigned from the Superior Court to become one of the founding partners of Todd & Weld.

During his legal career, Owen Todd has handled virtually every kind of case from murder to mass tort litigation and from bankruptcy litigation to "bet-the-company" commercial cases in every type of court throughout thirty-six states. Mr. Todd has appeared as counsel for Cardinal Bernard Law, the Massachusetts Trial Court, numerous attorneys, judges and law firms, F. Lee Bailey, professional athletes, Staples, Massachusetts Home Finance Agency and many major companies in the New England area.

While consistently named in the Best Lawyers in America and Chambers, USA, America's Leading Lawyers for Business, Owen Todd is most proud of the recognition of his peers reflected by his fellowship in the American College of Trial Lawyers and his presidency of the Massachusetts Trial Lawyers Association.

Practice Areas

- Appellate Practice
- Arbitration / Mediation
- Business Litigation
- Criminal Defense and Government Investigations
- Eminent Domain Litigation
- Employment Litigation Practice
- Probate and Fiduciary Litigation
- Professional Liability Litigation
- Real Estate Related Litigation

Bar Admissions

- Massachusetts (1960)
- United States District Court, Massachusetts (1961)
- United States Court of Appeals, 1st Circuit (1964)
- United States Tax Court (1964)
- United States Supreme Court (1972)

Education

- Boston College Law School, J.D. (1960)
  Commercial Law Review
- Harvard University, A.B. (1957)

Background

- Founding Partner, Todd & Weld LLP, 1992
- Associate Justice, Massachusetts Superior Court, 1988-1992
- Senior Partner, Hale and Dorr LLP, 1961-1988
- Law Clerk, Massachusetts Supreme Judicial Court, 1960-1961

Professional Activities

- Fellow, American College of Trial Lawyers
- Fellow, American Board of Trial Advocates
- Massachusetts Trial Lawyers Association
  President, 1994 to present
- American Bar Association
- Massachusetts Bar Association
- Boston Bar Association Co-Chair, Administration of Justice Section, 1993-1994

Publications/Lectures

- Lecturer for Boston Bar Association
- Lecturer for Massachusetts Continuing Legal Education
- Model Jury Charges, "Eminent Domain"
- Co-Editor, Massachusetts Continuing Legal Education: Massachusetts Trial Advocacy

Awards/Achievements

- Named as one of "Boston's Best Lawyers" in Commercial Litigation, Eminent Domain and Condemnation Law, and Personal Injury Litigation in a special supplement to *The Boston Globe*, 2010.
- Named a "Top 100 Massachusetts Super Lawyer" in Business Litigation in the 2010, 2009, 2008 and 2007 edition of *New England Super Lawyers Magazine*
- Selected by peers for inclusion in the 2007 edition of *The Best Lawyers in America* in the specialties of Commercial Litigation, Eminent Domain and Condemnation Law, and Personal Injury Litigation. Mr. Todd has been selected for inclusion in *The Best Lawyers in America* since its inception in 1986.
- Listed by *The International Who's Who of Business Lawyers* as one of the world's leading practitioners of commercial litigation, 2006, 2007, 2008
- Recognized in the 2007, 2006, 2005, and 2004 editions of *Boston Magazine* as a "Top 100 Massachusetts Super Lawyer"; recognized in the practice area of business litigation
- Lawyer of the Year 2002, *Massachusetts Lawyers Weekly*
- Leading Individuals, Litigation: General Commercial 2003-2006, *Chambers USA, America's Leading Lawyers for Business*
- Senior Statesmen, Litigation: General Commercial 2007-2010, *Chambers USA, America's Leading Lawyers for Business*
- Honorary Doctorate of Law and Letters from New England School of Law

Civic & Charitable Involvement

- Commissioner, State Ethics Commission, Commonwealth of Massachusetts
- Trustee, Austin Jones Foundation
- Member, Governor's Commission on Suffolk County Sheriff's Department
- Fellow, Boston Bar Foundation

E

Expert Disclosure Pursuant to Mass.R.Civ.P. 26(b)(4)

Jerome E. Hass is expected to testify. The subject matter on which he is expected to testify, the substance of the facts and opinions to which he is expected to testify, and a summary of the grounds for his opinions are set forth in the attached report.

ALEXANDER B.C. MULHOLLAND, JR, et al.,

Plaintiffs,

v.

ATTORNEY GENERAL of the Commonwealth of Massachusetts, et al.,

Defendants

ANALYSIS OF A RANGE OF INVESTMENT RETURNS TO THE IPSWICH PUBLIC SCHOOLS ASSUMING A SALE OF THE LITTLE NECK LAND

CRA Charles River Associates

November 2011

Analysis of a Range of Investment Returns to the Ipswich Public Schools Assuming a Sale of the Little Neck Land

Charles River Associates, Inc.
November 2011

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I
BACKGROUND AND PURPOSE

The Plaintiffs Feoffees of the Grammar School in the Town of Ipswich, Massachusetts, ("Feoffees") own a 36-acre parcel of land constituting Little Neck, Ipswich, Massachusetts under a testamentary trust ("The Trust") for the benefit of the Ipswich Public Schools ("Beneficiary"). The Trust, created by William Payne, who died in 1660, contains a clause prohibiting the sale or wasting of the land.

For many years the Feoffees have rented "lots" at Little Neck to individuals and families who have built single-family cottages thereon and pay rent to the Trust. There are now 167 cottages on Little Neck leased by the occupants (the "Tenants").

A dispute over rent increases and other claims has resulted in a Settlement Agreement under which the Tenants of Little Neck propose to purchase Little Neck through the creation of a condominium. The Feoffees seek approval by the Probate Court of the proposed settlement and sale.

The purpose of this report is to illustrate what might be expected in terms of distributions to the Beneficiary from the Feoffees if the net proceeds of the sale were to be invested in an appropriate portfolio of publicly held equities, government bonds, and corporate bonds.

The performance presented in this report represents various forms of past performance of financial assets and is not a guarantee of future results. Further, the portfolio mixes described in

this report are not intended to suggest that the Feoffees might not, over the course of the years, also consider investments in other asset classes in fulfilling their fiduciary responsibility to the Beneficiary.

II
QUALIFICATIONS OF JEROME E. HASS

Jerome E. Hass is the James B. Rubin Professor of Finance Emeritus at Cornell University's Johnson School and a Senior Consultant to Charles River Associates, Inc. (a brief description of which appears in Appendix I). He teaches courses in managerial and corporate finance and serves as the Chairman of the University's Committee on the Academic Freedom and Professional Status of the Faculty. He also serves as Vice Chairman of Catholic Charities of Tompkins/Tioga Counties where, among other things, he oversees its endowment performance. He is the Chairman of the Stewardship Committee of the Diocese of Rochester (DOR), New York, a committee established under canonical law to advise the Bishop of the Diocese on financial matters, including the investment of its endowment and pension funds. Prior to becoming Chairman, he served for several years as a member of the subcommittee responsible for investing the savings, pension funds and endowment funds of the Diocese and many of its parishes and other entities, with total funds under management from $60 to $120 million over the ten year period. He is also a member of the Board of Directors of Selected Funds, a family of no-load mutual funds with over $6 billion in assets under management, and serves on the Investment Advisory Committee of the Francisca Racker Centers, a not-for-profit entity that provides a wide variety of special needs services.

Professor Hass has taught corporate finance, business finance, and business strategy courses at several universities around the world over his professional life, has authored or co-authored numerous publications, and provided expert witness testimony on various financial matters in more than fifty venues, including federal and state courts and federal and state regulatory agencies. His resume is attached as Appendix II to this report.

III
PAST AND PROSPECTIVE DISTRIBUTIONS TO THE BENEFICIARY

The Trust was clearly intended to be perpetual in nature, providing financial assistance to the Beneficiary through periodic payments. From its founding until today, the Trust has relied primarily on rental income from Little Neck's 28 upland acres. For the years 2002-2005, the distributions to the Beneficiary from the Trust averaged slightly less than $300,000. The last distribution was in 2006, in the sum of $588,000. The Feoffees have not had sufficient funds to make any distribution to the Beneficiary since fiscal year 2006 primarily due to interest expenses on debt incurred to install a wastewater system and legal expenses. Future distributions are conditional on many factors, including the resolution of pending legal challenges and some erosion problems, and some refinancing alternatives.

We have been asked to opine on reasonably likely distributions by the Feoffees to the Beneficiary over the long term. Assuming the Court approves the sale of the land and the transaction is completed, we have been informed that the net proceeds available for investment in such a portfolio would be approximately $22 million.[1] Thus, the fundamental issue we address relates to the performance of such a portfolio and the distributions it would support to the Beneficiary.

We assume that a reasonable benchmark associated with the performance of a portfolio of financial assets is one that is managed to provide a target payout of 4 to 5 percent real (adjusted for inflation). This target range is consistent with the average "spending rate" of university and

[1] It is possible that some of the tenants, in the process of the condominium conversion, either require or will choose to accept mortgage financing offered by the Feoffees. In the analysis that follows, it is assumed these mortgages would produce returns similar to intermediate term Treasury bonds, which are one of the assets of the illustrative portfolios.

college endowments over the past decade (2001-2010), which ranged from a high of 5.1 percent in 2003 to a low of 4.3 percent in 2008 and averaged 4.7 percent over that 10 year period.[2] On a base of $22 million, the constant dollar target payout would be in the range of $0.9 to $1.1 million.

[2] See "Average Annual Spending Rates, 2001 to 2010, 2010 National Association of College and University Business Officers, Commonfund Study of Endowments.

IV
PRINCIPLES OF TRUST MANAGEMENT

There are a few principles of sound trust management that must be employed when forecasting the payouts from a financial asset trust over time.

1. The first principle is that payouts must be tempered by a need to maintain the real value of the trust corpus over time. If the entire return from the cash in the trust is paid each year, the corpus would be eroded each year by future inflation. Over time, the real purchasing power of the payouts would decline.
2. It is essential to build the real value of the trust corpus over time, so that it can subsequently withstand several years of adverse performance and retain its initial corpus. This requires the initial payouts to be modest relative to a long term target payout percent and the retention of some of the earnings in good years.[3]

Base Case

For example, consider the scenario displayed in Table 1, which assumes a starting balance of $1,000 and payouts of $50 per year (5% of the starting balance), adjusted for inflation:

Table 1

Year	Nominal Return	Inflation	End of Year Nominal Payout	End of Year Nominal Fund Balance
0				$1,000.00
1	-9.82%	8.80%	$54.40	847.39
2	-18.53	12.20	61.04	629.30
3	29.03	7.01	65.32	746.68
4	21.08	4.81	68.46	835.61
	Real Fund Balance at the End of Year 4[4]			$610.32

[3] Moriarty, Julia. "Evolution of Endowment Spending Policies and Today's Best Practices," Callan Associates, 2004.
[4] Real Fund Balance =
(Nominal Fund Balance $_{Y4}$)/[(1+Inflation$_{Y1}$)*(1+Inflation$_{Y2}$)*(1+Inflation$_{Y3}$)*(1+Inflation$_{Y4}$)]

The two years of large negative nominal returns, coupled with two years of high inflation and constant target payout dollars in real dollars, result in the real purchasing power of the portfolio being cut by almost 40 percent, despite two trailing years of good returns and lowering inflation.[5]

Case Alt-A

Suppose however that the beginning balance was $1,500 and the target 5% payout was based on a $1,000 balance. The $500 "cushion" can absorb most of the early year poor performance and permit the portfolio to recover to its $1,000 real balance at the end of the four year period as seen in Table 2:

Table 2

Year	Nominal Return	Inflation	End of Year Nominal Payout	End of Year Nominal Fund Balance
0				$1,500.00
1	-9.82%	8.80%	$54.40	1,298.29
2	-18.53	12.20	61.04	996.62
3	29.03	7.01	65.32	1,220.64
4	21.08	4.81	68.46	1,409.49
	Real Fund Balance at the End of Year 4			$1,029.47

Starting with a 50% buffer ($1,500 versus $1,000), results in the fund being able to absorb the negative returns for two years while still ending after four years with a constant dollar fund balance in excess of $1,000.

3. Payout percentages need to be trimmed below long-run targets if the combination of portfolio performance and inflation are cutting into the real balance of the portfolio.

[5] As described below, this is the actual experience for a portfolio consisting of 70% equity, 15% corporate bonds and 15% intermediate term government bonds with a 40 basis point management fee over the years 1973-76. See Ibbotson Associates, Stock, Bonds, Bills and Inflation, 2011 Yearbook, Morningstar Inc., 2011 and Appendix III.

Case Alt-B

For example, suppose the portfolio began with a balance of $1,000, but reduced the distributions as seen in Table 3:

Table 3

Year	Nominal Return	Inflation	End of Year Nominal Payout	End of Year Nominal Fund Balance
0				$1,000.00
1	-9.82%	8.80%	$39.15	862.65
2	-18.53	12.20	28.89	673.87
3	29.03	7.01	37.78	831.73
4	21.08	4.81	44.93	962.12
	Real Fund Balance at the End of Year 4			$702.72

In this case, the portfolio has suffered a decline in real earning power of about 30 percent, which is substantially less than the 40 percent decline in the base case.

Having both a cushion in the beginning balance of the fund relative to its long-term target payout and trimming payouts when real (nominal return less inflation) portfolio performance is poor, provides the best ability for the trust to weather a spell of significant negative real performance.

Case Alt-C

Consider combining the two principles delineated above in Alt-A and Alt-B as set forth in Table 4:

Table 4

Year	Nominal Return	Inflation	End of Year Nominal Payout	End of Year Nominal Fund Balance
0				$1,500.00
1	-9.82%	8.80%	$39.15	1,313.55
2	-18.53	12.20	28.89	1,041.20
3	29.03	7.01	37.78	1,305.70
4	21.08	4.81	44.93	1,536.00
	Real Fund Balance at the End of Year 4			$1,121.87

The combination of a cushion going into a period of difficulty (negative real returns) and tempering distributions, results in the ability of the portfolio to end with a 12 percent cushion in terms of its ability to generate future income.

4. Asset diversification is important whether in the short term, or in this case, a long horizon. For example, in retirement planning, common advice is to hold both stocks (equities) and bonds (fixed income) assets in the portfolio. Over a long period of time (1926-2010), the average annual return on common stocks is larger than the average returns on corporate or intermediate term government bonds, but the volatility of the returns is also larger.[6] These data appear in Table 5.

[6] Stocks & Bonds: How to choose the right option," Russell Investments, October 2009 http://www.russell.com/us/education_planning/investing_basics/articles/stocks_and_bonds.asp

Table 5

Portfolio Of[7]	Average Annual Return	Standard Deviation[8]
Large Company Stocks	11.9%	20.4%
Investment Grade Corporate Bonds	6.2	8.3
Intermediate Term Government Bonds	5.5	5.7

The benefits of holding both bonds and stock in an investment portfolio arise not only because the standard deviation of the bonds is lower than the standard deviation of an all-stock portfolio, but also because the returns on bonds and stocks do not move together in lock-step.[9,10]

5. There is also a diversification factor that operates over time, so that the average returns over a multi-year period are much more stable than returns over a single year. For example, if the standard deviation of the annual returns on a well diversified portfolio of large company stocks is 20.4 percent (see Table 5), the standard deviation of the average return over 25 years will be 4.08 percent.[11]

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[7] Ibbotson Associates, Stocks, Bonds, Bills and Inflation, 2011 Yearbook, Morningstar Inc., 2011.

[8] Standard deviation is a common measure of variability of return. Many random factors in life appear to be distributed in a "normal" (bell-shaped) fashion. If a random variable is normally distributed, approximately 67% of the observations will fall within the range of one standard deviation above and below the average (mean) value of the factor. For example, if the average annual return on a well-diversified portfolio of common stock is 11.9 percent, then about 67 percent of the time, the annual returns will be within -8.5 percent (11.9-20.4) and 32.3 percent (11.9+20.4). Downes, John and Goodman, Jordan Elliot. Barron's Finance & Investment Handbook. 6th Ed. 2003, p.829.

[9] If, over time, observations from both data sets move together (up or down), the correlation is high – with a maximum of 1.00 if they move lock-step in the same direction. If the observations from one are independent of the observations from the other, the correlation is zero. If observations from one move in lock-step but in opposite directions of the other (one up, the other down), then their correlation is -1.0.

[10] For example, as reported at the bottom of the table in Appendix III, the standard deviation of a portfolio consisting of 50 percent large company stocks, 25 percent corporate bonds, and 25 percent intermediate term Treasury bonds over the 1926-2010 period was 11.1 percent, which is less than the weighted average of the standard deviations of each component of 13.7 percent (20.4% x 0.5 + 8.3% x 0.25 + 5.7% x 0.25).

[11] If the returns from one year to another are independent, then the variance of the multi-year returns will equal the variance of the annual returns divided by the square root of the number of years in the holding period. See also Evensky, Harold and Horan, Stephen and Robinson, Thomas. The New Wealth Management: The Financial Advisors Guide to Managing and Investing Client Assets. CFA Institute Investment Series, John Wiley & Sons, 2011, p. 169.

These data are very important statistical characteristics for investors with long time horizons, such as the Feoffees. The Trust was created 351 years ago, and our understanding is that the Trustees are required to manage the Trust to provide benefits to the Beneficiary in perpetuity. In practical terms, this means that if the Trust is comprised of financial assets, it can hold a relatively large fraction of its assets (especially once it has established a buffer) in asset classes for which higher returns are expected, such as common stocks, despite their relatively high volatility.

Applying the above principles and using historical returns as the basis for forecasting future returns, if the proposed sale of the Little Neck property is permitted to occur and the Trustees invest the net proceeds from the sale into a portfolio of financial assets, through diversification across asset classes, and given the passage of time, it is reasonable to conclude that the Trustees can manage the assets so as to maintain the value of the initial corpus and still achieve a reasonable payout rate to the Beneficiary.

V
ILLUSTRATION OF THE POTENTIAL OUTCOMES

To demonstrate the potential from an investment of sale proceeds into a well-diversified stock and bond portfolio, we have performed a series of studies that project potential outcomes under various combinations of asset classes and target payouts.

The raw data series on returns on three asset classes is displayed in Appendix III. This data is taken from Ibbotson Associates.[12] This data set, first available in 1982, has become a widely known and respected source for providing a historical view of the average returns and variability of returns for a variety of financial assets.[13] Virtually all main-stream basic financial textbooks rely on this or similar data series to describe the performance of investments in various asset classes.

To test the reasonableness of basing portfolio performance on the Ibbotson data, we examined how well portfolios based on that data would track real portfolios with the same basic components. To do so, we chose three real-world portfolios that are available to investors and are designed to track stock and bond indices. The first portfolio is the Vanguard 500 Index Fund, the second is the Fidelity Spartan 500 Index Fund, and the third is the Vanguard Balanced Index Fund. The first two are designed to track the S&P 500 index and the last is a mutual fund which targets to hold a 60/40 debt/equity mix over time. See Table 6.

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[12] Ibbotson Associates, Ibbotson SBBI 2011 Classic Yearbook, Morningstar Inc., 2011

[13] It is, for example, the basis for a chapter entitled "Risk and Return: Lessons From Market History" in a very popular MBA financial textbook. See Ross, Stephen and Jaffe, Jeffrey and Westerfield, Randolph. Corporate Finance. 9th ed. McGraw-Hill, 2010.

Table 6

Year	Ibbotson 100% Equity*	Vanguard 500 Index	Fidelity Spartan 500 Index	Ibbotson 60/20/20 Mix*	Vanguard Balanced Index
2001	-11.99	-12.02	-12.05	-3.58	-3.02
2002	-22.20	-22.15	-22.21	-7.51	-9.52
2003	28.58	28.50	28.50	18.64	19.87
2004	10.78	10.74	10.73	8.62	9.33
2005	4.81	4.77	4.85	4.29	4.65
2006	15.69	15.64	15.72	10.65	11.02
2007	5.39	5.39	5.43	5.72	6.16
2008	-37.10	-37.02	-37.03	-17.92	-22.21
2009	26.32	26.49	26.51	15.90	20.05
2010	14.96	14.91	14.98	12.85	13.13
Average	3.53	3.53	3.54	4.77	4.95

Source: Ibbotson Associates, Ibbotson SBBI 2011 Classic Yearbook, Morningstar Inc., 2011
Vanguard 500 Index, www.vanguard.institutional.com
Vanguard Balanced Index, www.vanguard.institutional.com
Fidelity Spartan 500 Index Prospectus
* Annual Return based on 10 basis point management fee

The data in Table 6 demonstrates that the annual performances of the constructed Ibbotson 100% equity portfolio are virtually identical to the Vanguard 500 Index and Fidelity Spartan 500 Index fund performances. The annual performance of the constructed Ibbotson 60/20/20 portfolio closely tracks that of the Vanguard Balanced Index fund, but, is slightly lower on average. The slight difference is due to the somewhat different composition of the bond element of the two portfolios.

To demonstrate the potential for payout from a trust under a constraint of trying to maintain the real (constant dollar or inflation-adjusted) balance of the trust, we examined what would have occurred had a trust been in place over the period 1926 through 2010, using the Ibbotson Associates realized returns data base. More specifically, we calculated the average annual constant dollar payouts and ending constant dollar trust balances for 56 "rolling" 30 year periods, beginning with

the first in 1926 (1926-1955) and then rolling forward annually, with the last period beginning 1981 (1981-2010). This approach fully spans the time period over which Ibbotson Associates data is available. The thirty year holding period was chosen to balance the opportunity for time diversification to take place against getting the most observations from the sequential data set. Alternative approaches based on the same data set will be discussed below.

In order to demonstrate how the trust would perform, it is necessary to specify portfolio asset allocations, annual asset management fees, a target payout percentage and a dynamic payout rule. A dynamic payout rule, in general, would adjust the actual payout in periods when the trust's real balance is either above or below its target real balance. Let us consider each.

A. Portfolio Asset Allocation. These days, portfolio managers have a long menu of alternative asset classes in which to invest, spanning many different classifications of equities (common stocks, both domestic and foreign) and fixed income including preferred stocks, corporate bonds of varying credit quality and maturity, U.S. government agencies, U.S. Treasuries, and other domestic and international corporate and government debt securities.

In this demonstration, we have limited the deployment of the assets of the portfolio into three categories:

(1) Large Company Stocks: Standard & Poor's (S&P) 500 index; the index is comprised of 500 of the largest (in terms of market value of common stock) in the United States; annual returns are based on dividends (reinvested) and capital gains or losses;

(2) Corporate Bonds: investment grade (usually AAA and AA), long term (about 20 years) corporate bonds; annual returns are comprised of interest and capital gains or losses;

(3) Intermediate Treasury Bonds; maturity of approximately 5 years; annual returns are comprised of interest and capital gains or losses.

In Table 7 we specify portfolios with three asset allocations:

Table 7

Portfolio	Large Company Stocks	Corporate Bonds	Intermediate Treasury Bonds
50/25/25	50%	25%	25%
70/15/15	70%	15%	15%
90/5/5	90%	5%	5%

The annual returns for each asset class and the three portfolios are displayed in full in Appendix III. As one would expect, over the 85 year period 1926 through 2010, the average returns and the standard deviations are highest for the stocks and lowest for the Treasuries, and the portfolios with more stocks and fewer bonds earned higher returns and had higher standard deviations. These statistics are summarized in Table 8.

Table 8

Asset or Portfolio	Average Return	Standard Deviation
Large Stocks	11.9%	20.4%
Corporate Bonds	6.2	8.3
Intermediate Treasuries	5.5	5.7
50/25/25	8.9	11.1
70/15/15	10.1	14.6
90/5/5	11.3	18.4

Source: Ibbotson Associates, Ibbotson SBBI 2011 Classic Yearbook, Morningstar Inc., 2011

Appendix III also displays the annual rates of inflation, as reported by Ibbotson Associates, for the Consumer Price Index. The average annual rate of inflation over the 1926-2010 period was 3.1 percent.

It is interesting to note that in some years the large company stocks experienced large losses (43 percent in 1931 and 37 percent in 2008) and also large gains (54 percent in 1933 and 53 percent in 1954). In contrast, the Intermediate Treasury Bond returns across years are fairly stable, with few double digit positive years (a notable exception being 1970, when interest rates decreased dramatically from the beginning of the year until the end of the year) and only a few negative years (and most of those not very negative).

The annual returns associated with each of the three cases (50/25/25; 70/15/15; and 90/5/5) are also reported in Appendix III. An examination of the performance of those portfolio returns demonstrates that the years of positive returns materially exceed the years of negative returns but not always in amounts sufficient to meet the target payout rates.

B. Management Fees. If the investor had sufficient assets (and a Feoffees trust with more than ten million in assets is sufficient for the purpose), it would be feasible to work with a professional asset manager to manage a portfolio, choosing individual stocks and bonds such that the portfolio closely tracked the performance of the asset classes described above. The cost of such a manager would be in the neighborhood of 30 basis points (0.3 percent) of the average value of the assets under management.[14]

[14] Many endowments pay well in excess of 30 basis points, but these endowments seek to achieve superior performance by spanning several asset classes, including investments in hedge funds, private equity funds, and a variety of other

An alternative might be to use a professional asset manager who would purchase "index" funds, mutual funds that are specifically designed to track a designated index. For example, Vanguard is a very popular family of mutual funds that offers several index funds, including a Vanguard S&P 500 index-tracking fund, a fund that tracks long-term investment grade corporate bonds, and a fund that tracks intermediate term Treasuries. While these index funds might not exactly match the performance of the Ibbotson indexes we have used in this study, they would be close substitutes. The annual management fees (the term "expense ratio" is used in the mutual fund industry) associated with such index funds is generally 6-15 basis points for investors with initial investments well below the levels likely to be made by the Feoffees.[15] Allowing an additional 15 basis points for the asset manager to provide supervisory services (help the Trustees select the index funds to be used, set up and maintain the trust accounts, rebalance the portfolio (most index funds have no purchase or sale fee) as needed to maintain the target asset mix, provide performance reports, and perform necessary transactions to provide funds for distribution to the beneficiary), the total fees would be in the neighborhood of 21-30 basis points.

In the analyses that follow, we have used a comprehensive, and conservatively high, investment management fee of 40 basis points (0.4 percent) on the beginning balance of the fund per year, an amount that is adequate to cover all the administrative and transactional costs associated with achieving returns consistent with the returns reported by Ibbotson Associates for

"alternative strategies." Limiting investments to plain vanilla stock and bond funds results in substantially lower investment management fees.

[15] The two S&P 500 index funds used in Table 6 have expense ratios of 6 or 7 basis points. The Vanguard Balanced Fund expense ratio is 12 basis points (Admiral Shares).

investments in the various asset classes used herein. This is functionally achieved by reducing the realized returns in each year by 40 basis points.

C. Target Payout Percent. The actual payouts over time are going to relate to the target payout percent, but the relationship is far from obvious. First, actual payouts cannot be based on average returns earned over time. For example, if a portfolio with beginning balance of $1,000 earns 20% the first year and then loses 10% the second year (or vice versa), the average rate of return over the two years is 5 percent. It might appear that $50 could be distributed each year and still maintain the portfolio value at $1,000. But consider the sequence described in Table 9:

Table 9

	First Sequence	Second Sequence
Starting Value	1,000	1,000
Gain First Year	200 (20%)	-100 (-10%)
Distribution	-50	-50
Value End of First Year	1,150	850
Loss Second Year	-115 (-10%)	170 (20%)
Distribution	-50	-50
Value End of Second Year	985	970

As Table 9 demonstrates, the ending value in both sequences is not the target $1,000, but only $985 in the first sequence and $970 in the second sequence. Neither case will support the $50 withdrawal rate, even though the average rate of return over the two years is 5 percent. The ending balance is affected by the variability of the returns as well as their average, and this effect is compounded by the withdrawal when the negative return occurs early in the sequence. Since future returns on any asset class are going to be variable, it is necessary to have a target return less than the average expected return on the portfolio.

In the analyses that follow, we will use target payout rates of 3, 4 and 5 percent. As noted above, college and university endowment payouts are generally in the 4-5 percent range.

D. Dynamic Balancing Rule. As discussed in Section IV above, sound trust management requires a distribution or payout rule that lowers actual payouts below the target level if a combination of the target payout with a realized return on the portfolio drops the balance of a trust below its target (beginning balance, adjusted for inflation). This helps maintain the ability of the trust to survive and provide healthy distributions in the long run. In this study, we have employed a payout rule that follows this concept. Appendix IV describes the distribution rule and provides an illustration of how it works.

E. Results. Applying a specified target payout percentage and the specified payout rule to a fund beginning in each year from 1926 through 1981 and continuing for 30 years provides 56 observations on how the target payout percentage and rule interact to provide payouts and ending balances for the fund.

Because the two primary objectives of sound fund management are to generate substantial real (inflation-adjusted) distributions over time and preserve or increase the corpus of the fund in real (inflation-adjusted) dollars, our results are cast in real dollars. Also, for sake of convenience, because there is some doubt about the initial amount of cash that will be available for investment, we have made our analyses based on an initial investment of $1 million and, in the context of this matter, extrapolated out to $22 million (See Exhibit A).

Panel 1 of Exhibit A displays the average constant dollar payouts for each combination of Asset Mix and Target Payout Rate:[16]

- For a given Target Payout Rate (say 4%), the average constant dollar payout increases with the asset mix moving from 50/25/25 to 90/5/5, from $43 thousand to $63 thousand for each $1 million of initial balance. For a starting balance of $22 million, the average constant dollar payouts go from $936 thousand to $1.388 million. The average constant dollar payout percentages are actually greater than the 4 percent target payout because the portfolios are, in general, increasing in real value over time. As a result, the actual average payout rates increase from 4.3% to 6.3%. These results indicate that using an asset mix with more equity is better in the long run than using an asset mix with less equity.[17]
- For a given Asset Mix (say 90/5/5), the average constant dollar payout increases as the target payout rate increases, from $56 thousand to $67 thousand for each $1 million of initial balance. For a starting balance of $22 million given the same asset mix, the average constant dollar payouts go from $1.232 million to $1.477 million. These results indicate that the higher the target payout rate, the higher the constant dollar payouts. But there is another consideration that fiduciaries must take into account – the ending balance of the portfolio.

Panel 2 of Exhibit A displays the average constant dollar ending portfolio balances for the various combinations of asset mix and target payout rates:

- For any given asset mix, as the target payout rate increases, the constant dollar ending balance decreases. With relatively low equity in the portfolio mix at 50/25/25, the average

[16] For each combination of Asset Mix and Target Payout Rate, there are 56 30-year rolling periods, starting with 1926-1955 and ending with 1981-2010. A sample summary sheet for one of the nine combinations is shown in Appendix V.
[17] For 2010, the average dollar-weighted asset mix for university and college endowments of less than $25 million was 58 percent equities, but only 30 percent fixed income, with the remainder consisting of a variety of "alternative" investment (real estate, hedge funds, private equity, venture capital, commodities, oil & gas partnerships, timber and others). See 2010 National Association of College and University Business Officers, Commonfund Study of Endowments, Table 22 (Average Asset Class Composition by Investment Pool Size).

constant dollar ending balance is less than the original balance when combined with the relatively high target payout rate of 5%. Expressed in terms of an initial investment of $22 million, the average ending constant dollar balance is $20.4 million. These results indicate that a relatively high payout rate, especially when combined with a relatively conservative (low equity) asset mix, is not likely to maintain the purchasing power of the trust over time.

- For any given target payout rate, as the percentage of equity increases in the asset mix, the average constant dollar ending balance increases, with the highest average associated with the 90/5/5 asset mix and the 3% target payout rate, almost tripling the average beginning balance (288% of the original balance). Expressed in terms of an initial balance of $22 million, the average constant dollar ending balance was $63 million for the 90/5/5 asset mix with a 3% target payout.

Considering the results on both average constant dollar payouts and average constant dollar ending portfolio balances, target payout rates in the 4 to 5 percent range and asset mixes that are predominantly equity may reasonably be expected to generate substantial payouts while increasing the real value of the trust over time. For example, the 70/15/15 asset mix combined with a 4% target payout rate will, on average, result in constant dollar distributions of 5.2% of the trust's beginning portfolio balance as seen in Panel 1 and result, on average, with an ending inflation-adjusted balance that is 63% greater than the beginning balance.

The other entries in Exhibit A relate the range (minimum to maximum) of outcomes experienced over the 56 30-year rolling periods. On a $22 million dollar initial investment, the lowest average constant dollar payout was $508 thousand (3% target payout and 50/25/25 asset

mix) while the highest average was just over $2.5 million (5% target payout and 90/5/5 asset mix).[18]

It is important to note that the corresponding average *ending* asset balances in Panel 2 are, except for the 5% target payout rate and 50/25/25 asset mix, well above the beginning balances and, for portfolios with higher equity ratios and lower target payout rates, the minimum ending balance in constant dollars was higher than the beginning balance. In these cases, the starting balances for the next 30 year cycle would start with substantial cushions relative to the original balances and target payout rates.

[18] This minimum average annual payout is based on 56 observations in which a 30-year average annual payout has been calculated from the annual historical returns of the 50/25/25 investment mix. And although the minimum average annual payout was $508 thousand this does not preclude the possibility that in a given year the Beneficiary could potentially receive a smaller distribution, none, or one above the top of the range.

Summary Statistics for Alternative Payout Rates and Asset Mixes

56 30-Year Rolling Observations from 1926 (1926-1955) through 1981 (1981-2010)

Exhibit A

$1 Million Initial Balance

$22 Million Initial Balance

Panel 1. Constant Dollar Payouts in Thousands of Dollars

		Target Payout Rate				Target Payout Rate		
		3%	4%	5%		3%	4%	5%
Asset Mix								
50/25/25	Average	37	43	46	Average	820	936	1,009
	Min/Max Range	22 - 68	27 - 77	29 - 82	Min/Max Range	508 -1,497	585 – 1,689	634 – 1,797
70/15/15	Average	46	52	55	Average	1,003	1,138	1,218
	Min/Max Range	24 - 76	28 - 85	30 - 90	Min/Max Range	531 – 1,666	608 – 1,872	657 – 1,984
90/5/5	Average	56	63	67	Average	1,232	1,388	1,477
	Min/Max Range	25 - 97	28 - 108	31 - 114	Min/Max Range	546 – 2,141	623 – 2,385	673 – 2,504

Panel 2. Ending Constant Dollar Balance in Thousands of Dollars

		Target Payout Rate				Target Payout Rate		
		3%	4%	5%		3%	4%	5%
Asset Mix								
50/25/25	Average	1,601	1,214	928	Average	35,231	26,700	20,424
	Min/Max Range	847 – 2,946	642 – 2,223	491 – 1,686	Min/Max Range	18,642 – 64,817	14,126 – 48,902	10,804 – 37,092
70/15/15	Average	2,163	1,634	1,244	Average	47,589	35,954	27,370
	Min/Max Range	1,100 – 3,868	836 – 2,897	642 – 2,181	Min/Max Range	24,204 – 85,090	18,390 – 63,736	14,115 – 47,981
90/5/5	Average	2,879	2,170	1,646	Average	63,349	47,749	36,216
	Min/Max Range	1,322 – 6,151	1,006 – 4,599	771 – 3,451	Min/Max Range	29,094 – 135,324	22,135 – 101,177	16,961 – 75,931

Source: Worksheets of Jerome E. Hass, 11/9/11
Basic spreadsheet for specified Target Payout Rates and Asset Mixes;
Sample Summary attached as Appendix V (4% Target Payout and 70/15/15 Asset Mix)
Sample Year (1970) attached as Appendix VI

F. Validation of Results. One of the challenges in using historic data sequences such as 30-year rolling returns from various asset classes is that while that such a construction produces 56 sets of 30-year returns, the sets are not independent. The 1926-1955 set has 28 of the same sequential returns as the 1927-1956 set. Accordingly, we test the validity of the sequential-based results in two ways.

Test #1: One approach to test the validity of the sequential-based results is to simulate 30-year return sets by choosing at random from one year returns; for example, drawing the returns for 1957 as the first year and then the returns for 2003 as the second year and so on for 28 more draws at random from the 85 years in the Ibbotson Associates data base (1926-2010). The average constant-dollar payouts and related constant dollar ending balances are displayed in Exhibit B in the rows marked "(b)". The averages for all nine conditions (three asset mixes and three target payout rates) are above the averages derived from the sequential approach discussed above which are displayed on (a) line in Exhibit B. This indicates that the sequential-based results, discussed in detail above, are probably conservative in terms of the performance that would be expected in the future, given the performance of the 85 year past.

Test #2: An alternative approach to test the validity of the sequential-based results is to simulate 30-year return sets by first fitting statistical distributions to the returns of each of the asset mix portfolios and inflation over the 1926-2010 period and drawing 30 times at random from those distributions to generate a 30-year performance sequence.

The results of this test are shown in Exhibit B in the rows labeled "(c)". The average constant dollar payouts and ending portfolio balances are virtually identical to the results from Test #1 and support the same conclusion: the sequential-based results, discussed in detail above and set forth in detail in Exhibit A, are probably conservative in terms of an expected future performance that is based on the performance of the 85 year past.

Summary Statistics for Alternative Payout Rates and Asset Mixes – Simulation Validation Comparison

Exhibit B

(a) 56 30-Year Rolling Observations from 1926 (1926-1955) through 1981 (1981-2010)
(b) 100,000 Cases Drawing Annual Returns from 85 Joint Annual Observations (1926 through 2010)
(c) 100,000 Cases Drawing Annual Returns from 85 Annual Observations on Each Asset Class

		$1 Million Initial Balance			$22 Million Initial Balance		
A. Average Constant Dollar Payout		Target Payout Rate			Target Payout Rate		
		3%	4%	5%	3%	4%	5%
Asset Mix							
50/25/25	(a)	37,283	42,566	45,873	820,226	936,452	1,009,206
	(b)	41,224	46,773	50,097	906,928	1,029,006	1,102,134
	(c)	41,261	46,812	50,134	907,742	1,029,864	1,102,948
70/15/15	(a)	45,600	51,718	55,365	1,003,200	1,137,796	1,218,030
	(b)	49,570	55,857	59,413	1,090,540	1,228,854	1,307,086
	(c)	49,710	56,004	59,559	1,093,620	1,232,088	1,310,298
90/5/5	(a)	55,987	63,105	67,129	1,231,714	1,388,310	1,476,838
	(b)	59,953	67,101	70,881	1,318,966	1,476,222	1,559,382
	(c)	60,258	67,423	71,201	1,325,676	1,483,306	1,566,422
B. Ending Constant Dollar Balance		Target Payout Rate			Target Payout Rate		
		3%	4%	5%	3%	4%	5%
Asset Mix							
50/25/25	(a)	1,601,405	1,213,617	928,346	35,230,910	26,699,574	20,423,612
	(b)	1,927,108	1,451,875	1,102,519	42,396,376	31,941,250	24,255,418
	(c)	1,930,823	1,454,548	1,104,440	42,478,106	32,000,056	24,297,680
70/15/15	(a)	2,163,149	1,634,279	1,244,091	47,589,278	35,954,138	27,370,002
	(b)	2,639,548	1,983,131	1,499,244	58,070,056	43,628,882	32,983,368
	(c)	2,653,443	1,993,270	1,506,642	58,375,746	43,851,940	33,146,124
90/5/5	(a)	2,879,515	2,170,429	1,646,187	63,349,330	47,749,438	36,216,114
	(b)	3,603,472	2,701,253	2,034,769	79,276,384	59,427,566	44,764,918
	(c)	3,636,027	2,725,081	2,052,206	79,992,594	59,951,782	45,148,532

Source: Feoffees @Risk Worksheets, 11/9/11
(a) Exhibit A
(b) 100,000 observations on 30-year series of joint returns drawn at random from 1926-2010 annual Ibbotson returns
(c) 100,000 observations on 30-year series of returns for portfolios with returns generated from each asset in the mix assuming normal distributions for each of the assets in the portfolio

VI
CONCLUSIONS

The Feoffees of the Grammar School in the Town of Ipswich seek permission of the Court to sell its property ownership of Little Neck. They plan to use the proceeds of the sale (immediate and deferred insofar as some sales could involve providing mortgage loans to purchasers), eventually equaling about $28 million in present value, to pay off existing debt of about $6 million, resulting in $22 million to be invested in other assets.

This study examines the potential for providing payouts to the Ipswich School System from the investment of $22 million in an appropriately diversified portfolio consisting of varying mixes of three asset classes: large company (S&P index) common stocks, investment grade long-term corporate bonds, and intermediate term (5 year) Treasury bonds.

Prudent financial management of a perpetual trust requires discipline in investing and payments to the beneficiary. The target payout rate has to be reasonable in light of the expected returns from the financial assets of the Trust and the actual payouts should be adjusted relative to target return expectations so as to maintain the real purchasing power of the Trust's balance. This study uses 1926-2010 historic returns from Ibbotson Associates for three classes of assets in a variety of ways to explore the effects of different asset mixes in the portfolio and different target returns.

The results indicate that, based on historical asset returns, it is reasonable to expect the Trust to be able to pay out 4.5 to 5.0 percent of the initial investment of $22 million in

constant dollar terms over the long run with moderate levels of risk.[19] This translates into $1.0-1.1 million per year in payouts for a $22 million initial balance that has been adjusted for inflation.

As discussed in Section IV above, it is essential payouts be set at very conservative levels in the initial years of the Trust in order to build a reserve that can absorb relatively poor investment performance for a period of time. While it is tempting to suggest that the initial investment be directed into relatively low risk securities (such as corporate and government bond funds with relatively short maturities), such a strategy would reduce the potential for large gains in equities, which come at very irregular and almost impossible to predict intervals, gains which will ultimately provide the basis for larger payouts. It is far better to start with very low payouts and a portfolio mix that is capable of earning reasonably large returns when they occur in the marketplace, with the expectation of increasing payouts toward the long-run goal of 4-5 percent of the original value adjusted for inflation when an adequate reserve (capable of absorbing significant negative performance) has been established.[20] Under this premise, and subject to capital market conditions at the time an initial investment of $22 million is made, and further assuming a portfolio mix of 70/15/15 as illustrated in our report, it is our view that initial distributions to the Beneficiary of somewhere around $400,000 per year would be reasonable.

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[19] This conclusion is based in large part on the results displayed in Exhibit A. It assumes an asset mix of at least 70% equity (the 70/15/15 portfolio). This exhibit is based on an investment performance period of 30 years. The conclusion is appropriate for a much longer time period.

[20] This is similar in nature to the observed behavior of public corporations in their paying of cash dividends. Firms generally do not initiate cash dividends until their board of directors believes they are capable of sustaining the level initially set and then they increase the dividends over time only when they are reasonably confident that the increased level can be sustained without hampering the firm's long-run capability of generating value, even in short-run times of poor earnings and cash flow.

Jerome E. Hass

11/22/11

Jerome E. Hass
Senior Consultant
Charles River Associates, Inc.

Date

Appendix I

CHARLES RIVER ASSOCIATES, INC.

Charles River Associates (CRA) is a leading, publicly traded economic and business consulting firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. Founded in 1965, CRA works with business, law firms, accounting firms, and governments in providing original, authoritative advice and a wide range of services around the world. CRA combines economic and financial analysis with expertise in litigation and regulatory support, business strategy and planning, market and demand forecasting, policy analysis, and engineering and technology strategy. The firm is often retained in high-stakes matters, such as multibillion-dollar mergers and acquisitions, new product introductions, major strategy and capital investment decisions, and complex litigation, the outcomes of which often have significant consequences for the parties involved. These matters often require independent analysis, and as a result companies must rely on outside experts. Companies turn to CRA because it can provide large teams of highly credentialed and experienced economic and finance experts to address complex, high-stakes matters.

CRA offers consulting services in two broad areas: business consulting and litigation consulting, each of which is described immediately below.

Business Consulting	**Litigation**
Aerospace & Defense	Antitrust & Competition Economics
Auctions & Competitive Bidding	Financial Accounting & Valuation
Chemicals	Financial Economics
Climate & Sustainability	Financial Markets
Energy & Environment	Forensic Services
Enterprise Risk Management	Insurance Economics
Industrial Products	Intellectual Property
Life Sciences	International Trade
Mining, Metals & Materials	Labor & Employment
Oil & Gas	Mergers & Acquisitions
Transportation	Regulation
Value Management (Marakon)	Transfer Pricing

In its **business consulting** practice, CRA employs its expertise in economics, finance, and business analysis to offer our clients such services as strategy development, performance improvement, corporate portfolio analysis, estimation of market demand, new product pricing strategies, valuation of intellectual property and other assets, assessment of competitor actions, and analysis of new sources of supply.

CRA's **litigation consulting** practitioners work with law firms and businesses involved in litigation and regulatory proceedings, providing expert advice on highly technical issues, such as the competitive effects of mergers and acquisitions, antitrust issues,

calculations of damages, measurement of market share and market concentration, liability analysis in securities fraud cases, and the impact of increased regulation.

The firm provides its services primarily through its highly credentialed and experienced staff of employee consultants. CRA employs around 500 consultants, many with doctorates and other advanced degrees. CRA's employee consultants have backgrounds in a wide range of disciplines, including economics, business, corporate finance, materials sciences, and engineering.

The firm has completed thousands of engagements for clients around the world, including domestic and foreign companies; federal, state, and local domestic government agencies; governments of foreign countries; public and private utilities; and national and international trade associations. CRA's clients come from a broad range of industries, and many of the world's leading law firms.

CORNELL
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Jerome E. Hass is Professor Emeritus of Finance and Business Strategy at Cornell University's Johnson Graduate School of Management, where he is the James B. Rubin Professor of Finance and the Alan Krause Faculty Fellow in Real Estate Finance. He received a B.A. degree from St. Mary's University, Winona, Minnesota, an M.B.A. from the University of Pennsylvania (Wharton), and a Ph.D. degree in Economics from Carnegie-Mellon University. At Cornell, he teaches or has taught graduate courses in corporate and managerial finance, security analysis and investment management, energy economics and regulation, and business strategy. He is an instructor in several of Cornell's executive education programs and various corporate management development programs. He is a member of the Boards of Directors of Selected Funds (a family of mutual funds) and the Investment Committee of the Franziska Racker Centers, Inc. He has been a visiting professor at Katholieke Universitiet Leuven (Belgium), International Management Institute-Kiev (Ukraine), Electro-Technical University (St. Petersburg), University of Agriculture (Slovakia), KOC University (Istanbul), the Vienna Institute, the Australian Graduate School of Management, the University of Western Australia, and the Graduate School of Business Administration Zurich.

Since 1983, Professor Hass has been a Special Consultant to National Economic Research Associates. In that capacity he has been a consultant and/or expert witness on a variety of issues, including the cost of pharmaceutical products; the financial integrity and revenue adequacy of railroads; the cost of capital and capital structures for oil and CO_2 pipelines, crude oil tankers, electric utilities, cable television and natural gas systems; minority stockholder claims; the valuation of closely-held stock; natural resource properties and lease valuations; cost-benefit analysis of regulatory alternatives; and the valuation of Alaska North Slope crude oil for royalty and tax purposes. He has testified more than fifty times in state and federal regulatory and judicial systems as well as before both houses of Congress. He recently became a Senior Consultant to Charles River Associates.

He was previously Chief, Division of Economic Studies, at the Federal Power Commission and was Special Assistant to James R. Schlesinger at the Executive Office of the President of the United States. He was also Chairman of the U.S. Office of Technology Assessment's LNG Import Policy Advisory Board and a special advisor to the Secretary and Deputy Secretary at the Department of Energy on the Alaska Natural Gas Transportation System.

He is co-author of *An Introduction to Managerial Finance and Financing the Energy Industry* as well as author or co-author of articles in *Management Science*, *Journal of Finance*, *Journal of Financial and Quantitative Analysis*, *Financial Analysts Journal*, *Water Resources Research*, *Public Utilities Fortnightly*, *Financial Executive*, *The Journal of Investing*, *Energy Systems and Policy*, and the *National Tax Journal*. He developed the Cornell Management Game (CMG), a

computer-based business simulation that provides players the opportunity to improve their understanding of financial accounting, marketing, operations, finance, and business strategy in the context of a competitive environment. The CMG has been and is being used in numerous MBA and executive education courses throughout the world.

EDUCATION:

CARNEGIE-MELLON UNIVERSITY
Ph.D., Economics, 1969 Ford Foundation Doctoral Fellowship

UNIVERSITY OF PENNSYLVANIA WHARTON SCHOOL
M.B.A., Finance and Operations Research, 1964, with Distinction

ST. MARY'S COLLEGE, MINNESOTA
B.A., Mathematics, 1962, Cum Laude

EMPLOYMENT:

CHARLES RIVER ASSOCIATES
2011-present Senior Consultant
NATIONAL ECONOMIC RESEARCH ASSOCIATES, INC.
1983-present Special Consultant
JOHNSON GRADUATE SCHOOL OF MANAGEMENT,
CORNELL UNIVERSITY
2009-present Professor Emeritus of Finance and Business Strategy
1977-2009 Professor of Finance and Business Strategy
James B. Rubin Professor of Finance (2003- present)
Alan Krause Faculty Fellow of Real Estate Finance (2000-present)
Clifford H. Whitcomb Faculty Fellow (1993-1994)
Mobil Corporation Scholar (1991-1992)
1998-2000 Academic Director, Executive MBA Program
1998-2001 Coordinator, Investment Banking Immersion
1994-1995 Director, Managerial Skills Program
1979-1982 Director, Public Administration Program
1972-1977 Associate Professor
1969-1972 Assistant Professor
1967-1969 Lecturer
UNITED STATES GOVERNMENT
1978-1980 Advisor to Secretary and Deputy Secretary, Department of Energy, on Alaska Natural Gas Transportation System (ANGTS)
1977 Special Assistant to James R. Schlesinger, Executive Office of the President (6 month leave from Cornell University)
1976-1977 Chief, Federal Power Commission, Division of Economic Studies (18 month leave from Cornell University)

ACADEMIC ACTIVITIES AND INTERESTS:

Professor Hass' fields of interest are corporate finance, energy and regulatory economics and policy, applied microeconomics, managerial finance, security analysis and investment management, and business strategy. He teaches courses in valuation, distressed investing,

corporate finance, managerial finance, security analysis and investment management, and business strategy.

OTHER ACTIVITIES:

2003-2011	Plaintiff's Tariff Designee, Cortez Pipeline Settlement Agreement
1998-2009	Member, Board of Directors, Communis Fund of the Diocese of Rochester (NY)
1997-present	Member, Board of Directors, Selected Funds (Investment, Trading, and Audit Committees)
1997	Visiting Professor, Australian Graduate School of Management, University of New South Wales, Sydney (Australia)
1996	Visiting Professor, Vienna Institute, Vienna (Austria)
1995-present	Visiting Professor, KOC University, Istanbul (Turkey)
1994-1995	Visiting Professor, University of Agriculture, Nitra (Slovokia)
1993-1994	Visiting Professor, LETI-Lovanium MBA Program, Electro-Technical University, St. Petersburg (Russia)
1990-1995	Visiting Professor, International Management Institute-Kiev (Ukraine)
1990-2009	Faculty Member, Graduate School of Business, Zurich (Switzerland)
1990, 2004	Visiting Professor, Katholieke Universitiet Leuven (Belgium)
1982-1983	Member, Government Accounting Office, Review Panel on Alternatives to ANGTS
1979-1980	Chairman, LNG Import Advisory Committee, U.S. Congress Office of Technology Assessment
1970-1992	Lecturer and Coordinator, Management Development Program, Corning Glass Works, Corning, New York
1968- present	Lecturer and Coordinator, Executive Development Programs, Cornell University

CONTRIBUTIONS TO BOOKS:

Financing the Energy Industry, J.E. Hass, E.J. Mitchell and B.K. Stone, Ballinger, 1974.

An Introduction to Managerial Finance, H. Bierman, Jr. and J.E. Hass, W.W. Norton, 1973.

Matrix Algebra for Business and Economics, Searle and Hausman, Wiley, 1970.

PUBLISHED ARTICLES AND STUDIES:

"Explaining Earnings Per Share Growth," *Journal of Portfolio Management*, Summer 2009 (with H. Bierman, Jr.)

"Dollar Cost Averaging," *The Journal of Investing*, Winter, 2004 (with H. Bierman, Jr.)

"The Economics of Removing Asbestos From Buildings," *National Asbestos Council Journal*, Volume 5, No. 3 (Summer, 1987).

"Incentive Systems for Large-Scale Energy Projects," *Energy Systems and Policy*, Volume 8, No. 4 (1984).

"Equity Flotation Cost Adjustments in Cost of Service Pricing," *Public Utilities Fortnightly*, March 1, 1984 (with H. Bierman, Jr.).

"Investment Cut-off Rates and Dividend Policy," *Financial Management*, Winter 1983 (with H. Bierman, Jr.).

"Evaluation of Alternate Rate Structures for Philadelphia Gas Works," National Regulatory Research Institute, September 1978.

"An Analytical Model of Bond Risk Differentials," *Journal of Financial and Quantitative Analysis*, December 1975 (with H. Bierman, Jr.).

"Inflation, Equity, Efficiency and the Regulatory Pricing of Electricity," *Public Policy*, Summer 1975 (with H. Bierman, Jr.).

"How to Get Con Ed Out of the Capital Market Doghouse," *Financial Analysts Journal*, November-December 1974.

"Are High Cut-Off Rates a Fallacy?" *Financial Executive*, June 1973 (with H. Bierman, Jr.).

"Capital Budgeting Under Uncertainty: A Reformulation," *Journal of Finance*, March 1973 (with H. Bierman, Jr.).

"Modeling Problems and Problem Avoidance in Water Resources Management," *Water Resources Research*, June 1972.

"Closed Form Stock Price Models," *Journal of Financial and Quantitative Analysis*, June 1972 (with H. Bierman, Jr. and D.H. Downes).

"Decomposition Processes and Their Use in Joint Decision-Making," *Inter-Organizational Decision-Making*, M.F. Tuite, M. Radnor, and R.D. Chisholm, editors, Aldine Publishing Company, 1972.

"Normative Stock Price Models," *Journal of Financial and Quantitative Analysis*, December 1971 (with H. Bierman, Jr.).

"The Use and Misuse of the P/E Ratio in Acquisition and Merger Decisions," *Financial Executive*, October 1970 (with H. Bierman, Jr.).

"Optimal Taxing for the Abatement of Water Pollution," *Water Resources Research*, April 1970.

"Transfer Pricing in a Decentralized Firm." *Management Science*, February 1968.

"The Treatment of Tax-Exempt Securities of Life Insurance Company Income Taxation," *National Tax Journal*, December 1965 (with J. Bossons).

RECENT EDUCATIONAL/INFORMATIONAL MATERIALS:

Cornell Management Game, 2011 Version

Recent Cases:

- Cowpower (Capital Budgeting)
- General Foodstuffs and the TLG Project (Capital Budgeting)
- Petrochemicals Ltd. (Cost of Capital, Risk Analysis, and Performance Evaluation)
- Dreyer's Grand Ice Cream: The Grand Plan (Capital Budgeting and Business Strategy)
- Reynolds Pump Company (M&A Valuation)
- Ithaca Agway (Forecasting Cash Flows and Determining Debt Capacity)

Recent Presentations:

- Is Too Much of a Good Thing Wonderful?
- Credit Default Swaps and AIG
- Prime Suspects: 2009

Appendix III

Annual Percentage Rates of Return for Three Asset Classes and Three Portfolios and CPI Inflation

Year	Large Company Stocks	High Grade Corporate Bonds	Intermediate Treasury Bonds	50/25/25 Portfolio Return	70/15/15 Portfolio Return	90/5/5 Portfolio Return	Consumer Price Index Inflation
1926	11.62	7.37	5.38	9.00	10.05	11.10	-1.49
1927	37.49	7.44	4.52	21.74	28.04	34.34	-2.08
1928	43.61	2.84	0.92	22.75	31.09	39.44	-0.97
1929	(8.42)	3.27	6.01	(1.89)	(4.50)	(7.11)	0.2
1930	(24.90)	7.98	6.72	(8.78)	(15.23)	(21.68)	-6.03
1931	(43.34)	(1.85)	(2.32)	(22.71)	(30.96)	(39.21)	-9.52
1932	(8.19)	10.82	8.81	0.81	(2.79)	(6.39)	-10.3
1933	53.99	10.38	1.83	30.05	39.62	49.20	0.51
1934	(1.44)	13.84	9.00	4.99	2.42	(0.15)	2.03
1935	47.67	9.61	7.01	27.99	35.86	43.73	2.99
1936	33.92	6.74	3.06	19.41	25.21	31.02	1.21
1937	(35.03)	2.75	1.56	(16.44)	(23.87)	(31.31)	3.1
1938	31.12	6.13	6.23	18.65	23.64	28.63	-2.78
1939	(0.41)	3.97	4.52	1.92	0.99	0.06	-0.48
1940	(9.78)	3.39	2.96	(3.30)	(5.89)	(8.48)	0.96
1941	(11.59)	2.73	0.50	(4.99)	(7.63)	(10.27)	9.72
1942	20.34	2.60	1.94	11.31	14.92	18.53	9.29
1943	25.90	2.83	2.81	14.36	18.98	23.59	3.16
1944	19.75	4.73	1.80	11.51	14.80	18.10	2.11
1945	36.44	4.08	2.22	19.80	26.45	33.11	2.25
1946	(8.07)	1.72	1.00	(3.36)	(5.24)	(7.13)	18.16
1947	5.71	(2.34)	0.91	2.50	3.78	5.07	9.01
1948	5.50	4.14	1.85	4.25	4.75	5.25	2.71
1949	18.79	3.31	2.32	10.80	14.00	17.19	-1.8
1950	31.71	2.12	0.70	16.56	22.62	28.68	5.79
1951	24.02	(2.69)	0.36	11.43	16.46	21.50	5.87
1952	18.37	3.52	1.63	10.47	13.63	16.79	0.88
1953	(0.99)	3.41	3.23	1.17	0.30	(0.56)	0.62
1954	52.62	5.39	2.68	28.33	38.04	47.76	-0.5
1955	31.56	0.48	(0.65)	15.74	22.07	28.40	0.37
1956	6.56	(6.81)	(0.42)	1.47	3.51	5.54	2.86
1957	(10.78)	8.71	7.84	(1.25)	(5.06)	(8.87)	3.02
1958	43.36	(2.22)	(1.29)	20.80	29.83	38.85	1.76
1959	11.96	(0.97)	(0.39)	5.64	8.17	10.70	1.5
1960	0.47	9.07	11.76	5.44	3.45	1.46	1.48
1961	26.89	4.82	1.85	15.11	19.82	24.53	0.67
1962	(8.73)	7.95	5.56	(0.99)	(4.08)	(7.18)	1.22
1963	22.80	2.19	1.64	12.36	16.53	20.71	1.65
1964	16.48	4.77	4.04	10.44	12.86	15.27	1.19
1965	12.45	(0.46)	1.02	6.37	8.80	11.23	1.92
1966	(10.06)	0.20	4.69	(3.81)	(6.31)	(8.81)	3.35
1967	23.98	(4.95)	1.01	11.01	16.20	21.39	3.04

1968	11.06	2.57	4.54	7.31	8.81	10.31	4.72
1969	(8.50)	(8.09)	(0.74)	(6.46)	(7.27)	(8.09)	6.11
1970	3.86	18.37	16.86	10.74	7.99	5.24	5.49
1971	14.30	11.01	8.72	12.08	12.97	13.86	3.36
1972	18.99	7.26	5.16	12.60	15.16	17.71	3.41
1973	(14.69)	1.14	4.61	(5.91)	(9.42)	(12.93)	8.8
1974	(26.47)	(3.06)	5.69	(12.58)	(18.13)	(23.69)	12.2
1975	37.23	14.64	7.83	24.23	29.43	34.63	7.01
1976	23.93	18.65	12.87	19.85	21.48	23.11	4.81
1977	(7.16)	1.71	1.41	(2.80)	(4.54)	(6.29)	6.77
1978	6.57	(0.07)	3.49	4.14	5.11	6.08	9.03
1979	18.61	(4.18)	4.09	9.28	13.01	16.74	13.31
1980	32.50	(2.76)	3.91	16.54	22.92	29.31	12.4
1981	(4.92)	(1.24)	9.45	(0.41)	(2.21)	(4.02)	8.94
1982	21.55	42.56	29.10	28.69	25.83	22.98	3.87
1983	22.56	6.26	7.41	14.70	17.84	20.99	3.8
1984	6.27	16.86	14.02	10.86	9.02	7.19	3.95
1985	31.73	30.09	20.33	28.47	29.77	31.08	3.77
1986	18.67	19.85	15.14	18.08	18.32	18.55	1.13
1987	5.25	(0.27)	2.90	3.28	4.07	4.86	4.41
1988	16.61	10.70	6.10	12.51	14.15	15.79	4.42
1989	31.69	16.23	13.29	23.23	26.61	30.00	4.65
1990	(3.10)	6.78	9.73	2.58	0.31	(1.96)	6.11
1991	30.47	19.89	15.46	24.07	26.63	29.19	3.06
1992	7.62	9.39	7.19	7.96	7.82	7.69	2.9
1993	10.08	13.19	11.24	11.15	10.72	10.29	2.75
1994	1.32	(5.76)	(5.14)	(2.07)	(0.71)	0.64	2.67
1995	37.58	27.20	16.80	29.79	32.91	36.02	2.54
1996	22.96	1.40	2.10	12.36	16.60	20.84	3.32
1997	33.36	12.95	8.38	22.01	26.55	31.09	1.7
1998	28.58	10.76	10.21	19.53	23.15	26.77	1.61
1999	21.04	(7.45)	(1.77)	8.22	13.35	18.48	2.68
2000	(9.10)	12.87	12.59	1.82	(2.55)	(6.92)	3.39
2001	(11.89)	10.65	7.62	(1.38)	(5.58)	(9.79)	1.55
2002	(22.10)	16.33	12.93	(3.74)	(11.08)	(18.43)	2.38
2003	28.68	5.27	2.40	16.26	21.23	26.20	1.88
2004	10.88	8.72	2.25	8.18	9.26	10.34	3.26
2005	4.91	5.87	1.36	4.26	4.52	4.78	3.42
2006	15.79	3.24	3.14	9.49	12.01	14.53	2.54
2007	5.49	2.60	10.05	5.91	5.74	5.57	4.08
2008	(37.00)	8.78	13.11	(13.03)	(22.62)	(32.21)	0.09
2009	26.46	3.02	(2.40)	13.39	18.62	23.85	2.72
2010	15.06	12.44	7.12	12.42	13.48	14.53	1.5
Average	11.88	6.23	5.50	8.87	10.08	11.28	3.07
Standard Deviation	20.39	8.31	5.68	11.07	14.62	18.43	4.18

Distribution Rule Used in This Study

The distribution rule used in this analysis follows these steps:

The Target Balance at the end of any year, t, is

Target Balance (t) = Original Balance (t=0), adjusted for cumulative inflation

1. The Target Payout for any year, t, is the product of the Target Payout Rate times the Target Balance at the end of the previous year (t-1):

   Target Payout (t) = Target Payout Rate x Target Balance (t-1)

2. The Trial Balance at the end of year t is the Actual Balance at the end of the previous year plus the Actual Returns earned for the year (Net of Administrative Expenses) less the Target Payout:

   Trial Balance (t) =
   Actual Balance (t-1) x [1 + Actual Net Return (t)] – Target Payout (t)

3. The Actual Payout in year t is equal to the Target Payout in year t times the ratio of the Trial Balance in year t to the Target Balance in year t:

   Actual Payout (t) = Target Payout (t) x [Trial Balance (t) / Target Balance (t)]

4. The Actual Balance at the end of year t is equal to the Actual Balance at the end of the previous year plus the Actual Net Return less the Actual Payout in year t:

   Actual Balance (t) =
   Actual Balance (t-1) x [1+ Actual Return(t)] – Actual Payout (t)

The net effect of this payout rule is to pay out less than the target payout if the target payout would reduce the fund balance below its target level and pay out more than the target payout if the target payout would result in a fund balance greater than the target balance. To clarify, let us look at two examples:

Example #1: Actual Payout is less than Target Payout because fund balance is below target.

Beginning Balance	$1,000	(Actual and Target)
Target Balance	$1,000 x .03 = $1,030	(3% inflation on $1,000)
Target Payout	$1,000 x .04 = $40	(4% real return on $1,000)
Actual Return	-20%	
Trial Balance	$1,000 x (1-.20) – $40 = $760	
Actual Payout	$40 x (760/1030) = $29.51	
Ending Balance	$1,000 x(1-.20) – 29.51 = $770.49	

Example #2: Actual Payout is greater than Target Payout because fund balance is above target.

Beginning Balance	$1,000	(Actual and Target)
Target Balance	$1,000 x .03 = $1,030	(3% inflation on $1,000)
Target Payout	$1,000 x .04 = $40	(4% real return on $1,000)
Actual Return	+20%	
Trial Balance	$1,000 x (1+.20) – $40 = $1160	
Actual Payout	$40 x (1160/1030) = $45.05	
Ending Balance	$1,000 x (1+.20) – 45.05 = $1,154.95	

Note that in the first example, the poor performance of the fund, which has no cushion, forces a cut in the payout, but the payout is still substantial. In the second example, the fund performs well and the payout is greater than the target payout, but a substantial portion of the good return is retained to build the fund balance.

Appendix V

Sample Summary

Portfolio Composition								
	Large Stocks(S&P 500) Index	70.0%		Intermediate Term (5 year) Treasury Bonds				15.0%
	Investment Grade Corporate Bonds	15.0%		Treasury Bills (1 Year)				0.0%
Target Distribution Payout Rate		4.00%		Management Fee		0.004		
Beginning Portfolio Value		1,000,000						
		Current (Nominal) Dollars				Constant (Real) Dollars		
		Average Actual 30-Year	Ending Actual			30-Year Avg Payout	30-Year End Bal	
	Starting	Payout	Balance			Const $	Const $	
1	1926	60,883	3,557,951			57,543	2,376,543	
2	1927	60,849	3,356,409			55,255	2,147,111	
3	1928	51,487	2,511,444			44,667	1,527,049	
4	1929	42,919	2,516,959			35,746	1,489,345	
5	1930	49,414	2,838,748			40,090	1,658,241	
6	1931	64,286	3,452,063			47,690	1,867,275	
7	1932	104,483	5,959,067			68,240	2,897,079	
8	1933	119,222	5,907,971			67,986	2,545,344	
9	1934	94,328	4,972,116			52,457	2,118,124	
10	1935	102,160	5,466,783			56,393	2,348,184	
11	1936	82,905	4,409,241			45,733	1,913,815	
12	1937	72,058	3,322,625			39,034	1,412,311	
13	1938	104,176	5,003,749			56,823	2,128,126	
14	1939	92,394	4,444,335			47,533	1,754,828	
15	1940	99,405	4,082,458			49,510	1,511,832	
16	1941	114,962	4,672,574			56,284	1,656,060	
17	1942	135,815	5,664,819			71,234	2,131,273	
18	1943	129,180	5,662,128			72,215	2,251,390	
19	1944	117,239	4,324,612			65,974	1,630,424	
20	1945	108,858	3,096,735			61,130	1,062,510	
21	1946	92,367	3,193,304			51,480	1,046,907	
22	1947	105,391	4,044,932			67,547	1,495,020	
23	1948	109,175	3,706,022			74,415	1,398,494	
24	1949	112,009	3,723,708			76,444	1,323,717	
25	1950	105,597	3,720,310			68,721	1,146,151	
26	1951	92,793	3,748,338			61,708	1,086,875	
27	1952	85,513	3,154,087			58,205	888,792	
28	1953	81,623	3,506,620			53,772	959,688	
29	1954	88,981	4,120,411			56,427	1,093,123	
30	1955	69,829	3,291,734			41,970	835,895	
31	1956	62,699	3,529,606			35,675	866,933	
32	1957	67,230	4,027,133			37,031	1,006,055	
33	1958	78,355	4,393,844			42,113	1,083,053	
34	1959	66,376	3,901,401			34,158	937,172	
35	1960	68,531	4,578,798			33,473	1,066,785	
36	1961	73,410	4,441,187			34,207	989,574	
37	1962	68,592	4,731,247			29,903	1,029,757	
38	1963	80,322	5,295,726			33,169	1,133,798	
39	1964	77,076	5,057,647			30,198	1,071,234	
40	1965	75,665	4,467,485			28,097	932,595	
41	1966	78,362	5,468,869			27,615	1,134,733	
42	1967	94,860	6,754,635			32,397	1,401,922	
43	1968	93,597	7,382,724			30,682	1,552,472	
44	1969	99,510	8,342,962			31,914	1,808,092	
45	1970	123,966	10,093,961			39,869	2,260,644	
46	1971	130,282	9,084,192			42,047	2,075,820	
47	1972	129,097	7,593,392			41,163	1,766,086	
48	1973	123,334	5,871,153			39,047	1,379,262	
49	1974	150,767	7,764,757			50,240	1,948,010	
50	1975	203,737	10,214,896			74,186	2,784,569	
51	1976	173,529	8,261,468			65,644	2,330,242	
52	1977	157,709	7,628,931			60,637	2,199,465	
53	1978	181,816	8,399,517			72,679	2,484,217	
54	1979	187,096	6,138,429			79,923	1,977,643	
55	1980	179,328	6,409,265			85,108	2,277,781	
56	1981	158,315	5,895,455			82,780	2,320,179	
	Average	102,390	5,127,874			51,718	1,634,279	
	Minimum	42,919	2,511,444			27,615	835,895	
	Maximum	203,737	10,214,896			85,108	2,897,079	

Sample Year

Year				1970							Total	5,414,262		Total	7,463,059			Average	121%		
Distribution Target Payout Rate				4.00%											154%			Median	112%		
Observations				41								Balance Actual/Target						Minimum	54%		
																		Maximum	231%		
											Target		Net	Trial Ending		Actual		Distribution			Actual
Weights	70%	15%	15%	0%				Year	Inflation		Ending	Target	Actual	Balance with	Actual	Ending		Over/	Percent of	Inflation	Distribut
							Wtd Avg		Rate		Balance	Distribution	Return	Target Dist	Distribution	Balance		Under	Target	Index	Const $
	Lg Stks	Corp Bds	Inter T	T-Bills	Inflation	Return		0			0					0				0.00	
1926	0.1162	0.0737	0.0538	0.0327	-0.0149	0.1005		0	-		0	0	-	0	0	0				0.00	-
1927	0.3749	0.0744	0.0452	0.0312	-0.0208	0.2804		0	-		0	0	-	0	0	0				0.00	-
1928	0.4361	0.0284	0.0092	0.0356	-0.0097	0.3109		0	-		0	0	-	0	0	0				0.00	-
1929	-0.0842	0.0327	0.0601	0.0475	0.002	(0.0450)		0	-		0	0	-	0	0	0				0.00	-
1930	-0.249	0.0798	0.0672	0.0241	-0.0603	(0.1523)		0	-		0	0	-	0	0	0				0.00	-
1931	-0.4334	-0.0185	-0.0232	0.0107	-0.0952	(0.3096)		0	-		0	0	-	0	0	0				0.00	-
1932	-0.0819	0.1082	0.0881	0.0096	-0.103	(0.0279)		0	-		0	0	-	0	0	0				0.00	-
1933	0.5399	0.1038	0.0183	0.003	0.0051	0.3962		0	-		0	0	-	0	0	0				0.00	-
1934	-0.0144	0.1384	0.09	0.0016	0.0203	0.0242		0	-		0	0	-	0	0	0				0.00	-
1935	0.4767	0.0961	0.0701	0.0017	0.0299	0.3586		0	-		0	0	-	0	0	0				0.00	-
1936	0.3392	0.0674	0.0306	0.0018	0.0121	0.2521		0	-		0	0	-	0	0	0				0.00	-
1937	-0.3503	0.0275	0.0156	0.0031	0.031	(0.2387)		0	-		0	0	-	0	0	0				0.00	-
1938	0.3112	0.0613	0.0623	-0.0002	-0.0278	0.2364		0	-		0	0	-	0	0	0				0.00	-
1939	-0.0041	0.0397	0.0452	0.0002	-0.0048	0.0099		0	-		0	0	-	0	0	0				0.00	-
1940	-0.0978	0.0339	0.0296	0	0.0096	(0.0589)		0	-		0	0	-	0	0	0				0.00	-
1941	-0.1159	0.0273	0.005	0.0006	0.0972	(0.0763)		0	-		0	0	-	0	0	0				0.00	-
1942	0.2034	0.026	0.0194	0.0027	0.0929	0.1492		0	-		0	0	-	0	0	0				0.00	-
1943	0.259	0.0283	0.0281	0.0035	0.0316	0.1898		0	-		0	0	-	0	0	0				0.00	-
1944	0.1975	0.0473	0.018	0.0033	0.0211	0.1480		0	-		0	0	-	0	0	0				0.00	-
1945	0.3644	0.0408	0.0222	0.0033	0.0225	0.2645		0	-		0	0	-	0	0	0				0.00	-
1946	-0.0807	0.0172	0.01	0.0035	0.1816	(0.0524)		0	-		0	0	-	0	0	0				0.00	-
1947	0.0571	-0.0234	0.0091	0.005	0.0901	0.0378		0	-		0	0	-	0	0	0				0.00	-
1948	0.055	0.0414	0.0185	0.0081	0.0271	0.0475		0	-		0	0	-	0	0	0				0.00	-
1949	0.1879	0.0331	0.0232	0.011	-0.018	0.1400		0	-		0	0	-	0	0	0				0.00	-
1950	0.3171	0.0212	0.007	0.012	0.0579	0.2262		0	-		0	0	-	0	0	0				0.00	-
1951	0.2402	-0.0269	0.0036	0.0149	0.0587	0.1646		0	-		0	0	-	0	0	0				0.00	-
1952	0.1837	0.0352	0.0163	0.0166	0.0088	0.1363		0	-		0	0	-	0	0	0				0.00	-
1953	-0.0099	0.0341	0.0323	0.0182	0.0062	0.0030		0	-		0	0	-	0	0	0				0.00	-
1954	0.5262	0.0539	0.0268	0.0086	-0.005	0.3804		0	-		0	0	-	0	0	0				0.00	-
1955	0.3156	0.0048	-0.0065	0.0157	0.0037	0.2207		0	-		0	0	-	0	0	0				0.00	-
1956	0.0656	-0.0681	-0.0042	0.0246	0.0286	0.0351		0	-		0	0	-	0	0	0				0.00	-
1957	-0.1078	0.0871	0.0784	0.0314	0.0302	(0.0506)		0	-		0	0	-	0	0	0				0.00	-
1958	0.4336	-0.0222	-0.0129	0.0154	0.0176	0.2983		0	-		0	0	-	0	0	0				0.00	-
1959	0.1196	-0.0097	-0.0039	0.0295	0.015	0.0817		0	-		0	0	-	0	0	0				0.00	-
1960	0.0047	0.0907	0.1176	0.0266	0.0148	0.0345		0	-		0	0	-	0	0	0				0.00	-
1961	0.2689	0.0482	0.0185	0.0213	0.0067	0.1982		0	-		0	0	-	0	0	0				0.00	-
1962	-0.0873	0.0795	0.0556	0.0273	0.0122	(0.0408)		0	-		0	0	-	0	0	0				0.00	-
1963	0.228	0.0219	0.0164	0.0312	0.0165	0.1653		0	-		0	0	-	0	0	0				0.00	-
1964	0.1648	0.0477	0.0404	0.0354	0.0119	0.1286		0	-		0	0	-	0	0	0				0.00	-
1965	0.1245	-0.0046	0.0102	0.0393	0.0192	0.0880		0	-		0	0	-	0	0	0				0.00	-
1966	-0.1006	0.002	0.0469	0.0476	0.0335	(0.0631)		0	-		0	0	-	0	0	0				0.00	-
1967	0.2398	-0.0495	0.0101	0.0421	0.0304	0.1620		0	-		0	0	-	0	0	0				0.00	-
1968	0.1106	0.0257	0.0454	0.0521	0.0472	0.0881		0	-		0	0	-	0	0	0				100.00	-
1969	-0.085	-0.0809	-0.0074	0.0658	0.0611	(0.0727)		0	-		1,000,000	0	-	0	0	1,000,000					

Weights	70%	15%	15%	0%		
	Lg Stks	Corp Bds	Inter T	T-Bills	Inflation	Wtd Avg Return
1970	0.0386	0.1837	0.1686	0.0652	0.0549	0.0799
1971	0.143	0.1101	0.0872	0.0439	0.0336	0.1297
1972	0.1899	0.0726	0.0516	0.0384	0.0341	0.1516
1973	-0.1469	0.0114	0.0461	0.0693	0.088	(0.0942)
1974	-0.2647	-0.0306	0.0569	0.08	0.122	(0.1813)
1975	0.3723	0.1464	0.0783	0.058	0.0701	0.2943
1976	0.2393	0.1865	0.1287	0.0508	0.0481	0.2148
1977	-0.0716	0.0171	0.0141	0.0512	0.0677	(0.0454)
1978	0.0657	-0.0007	0.0349	0.0718	0.0903	0.0511
1979	0.1861	-0.0418	0.0409	0.1038	0.1331	0.1301
1980	0.325	-0.0276	0.0391	0.1124	0.124	0.2292
1981	-0.0492	-0.0124	0.0945	0.1471	0.0894	(0.0221)
1982	0.2155	0.4256	0.291	0.1054	0.0387	0.2583
1983	0.2256	0.0626	0.0741	0.088	0.038	0.1784
1984	0.0627	0.1686	0.1402	0.0985	0.0395	0.0902
1985	0.3173	0.3009	0.2033	0.0772	0.0377	0.2977
1986	0.1867	0.1985	0.1514	0.0616	0.0113	0.1832
1987	0.0525	-0.0027	0.029	0.0547	0.0441	0.0407
1988	0.1661	0.107	0.061	0.0635	0.0442	0.1415
1989	0.3169	0.1623	0.1329	0.0837	0.0465	0.2661
1990	-0.031	0.0678	0.0973	0.0781	0.0611	0.0031
1991	0.3047	0.1989	0.1546	0.056	0.0306	0.2663
1992	0.0762	0.0939	0.0719	0.0351	0.029	0.0782
1993	0.1008	0.1319	0.1124	0.029	0.0275	0.1072
1994	0.0132	-0.0576	-0.0514	0.039	0.0267	(0.0071)
1995	0.3758	0.272	0.168	0.056	0.0254	0.3291
1996	0.2296	0.014	0.021	0.0521	0.0332	0.1660
1997	0.3336	0.1295	0.0838	0.0526	0.017	0.2655
1998	0.2858	0.1076	0.1021	0.0486	0.0161	0.2315
1999	0.2104	-0.0745	-0.0177	0.0468	0.0268	0.1335
2000	-0.091	0.1287	0.1259	0.0589	0.0339	(0.0255)
2001	-0.1189	0.1065	0.0762	0.0383	0.0155	(0.0558)
2002	-0.221	0.1633	0.1293	0.0165	0.0238	(0.1108)
2003	0.2868	0.0527	0.024	0.0102	0.0188	0.2123
2004	0.1088	0.0872	0.0225	0.012	0.0326	0.0926
2005	0.0491	0.0587	0.0136	0.0298	0.0342	0.0452
2006	0.1579	0.0324	0.0314	0.048	0.0254	0.1201
2007	0.0549	0.026	0.1005	0.0466	0.0408	0.0574
2008	-0.37	0.0878	0.1311	0.016	0.0009	(0.2262)
2009	0.2646	0.0302	-0.024	0.001	0.0272	0.1862
2010	0.1506	0.1244	0.0712	0.0012	0.015	0.1348

Year	Inflation Rate	Target Ending Balance	Target Distribution	Net Actual Return	Trial Ending Balance with Target Dist	Actual Distribution	Actual Ending Balance
1	0.0549	1,054,900	40,000	0.0759	1,035,865	39,278	1,036,587
2	0.0336	1,090,345	42,196	0.1257	1,124,685	43,525	1,123,356
3	0.0341	1,127,525	43,614	0.1476	1,245,504	48,177	1,240,941
4	0.0880	1,226,748	45,101	(0.0982)	1,073,973	39,484	1,079,590
5	0.1220	1,376,411	49,070	(0.1853)	830,423	29,605	849,888
6	0.0701	1,472,897	55,056	0.2903	1,041,567	38,933	1,057,690
7	0.0481	1,543,744	58,916	0.2108	1,221,724	46,626	1,234,014
8	0.0677	1,648,255	61,750	(0.0494)	1,111,255	41,632	1,131,373
9	0.0903	1,797,092	65,930	0.0471	1,118,753	41,044	1,143,639
10	0.1331	2,036,285	71,884	0.1261	1,216,008	42,927	1,244,965
11	0.1240	2,288,785	81,451	0.2252	1,443,911	51,385	1,473,978
12	0.0894	2,493,402	91,551	(0.0261)	1,343,919	49,345	1,386,125
13	0.0387	2,589,897	99,736	0.2543	1,638,936	63,115	1,675,557
14	0.0380	2,688,313	103,596	0.1744	1,864,220	71,839	1,895,977
15	0.0395	2,794,501	107,533	0.0862	1,951,897	75,109	1,984,320
16	0.0377	2,899,854	111,780	0.2937	2,455,414	94,648	2,472,546
17	0.0113	2,932,622	115,994	0.1792	2,799,570	110,732	2,804,833
18	0.0441	3,061,951	117,305	0.0367	2,790,452	106,904	2,800,853
19	0.0442	3,197,289	122,478	0.1375	3,063,408	117,349	3,068,537
20	0.0465	3,345,963	127,892	0.2621	3,744,939	143,141	3,729,689
21	0.0611	3,550,402	133,839	(0.0009)	3,592,363	135,420	3,590,782
22	0.0306	3,659,044	142,016	0.2623	4,390,681	170,413	4,362,285
23	0.0290	3,765,156	146,362	0.0742	4,539,648	176,468	4,509,542
24	0.0275	3,868,698	150,606	0.1032	4,824,343	187,809	4,787,140
25	0.0267	3,971,992	154,748	(0.0111)	4,579,207	178,405	4,555,550
26	0.0254	4,072,881	158,880	0.3251	5,877,497	229,276	5,807,101
27	0.0332	4,208,100	162,915	0.1620	6,584,762	254,927	6,492,750
28	0.0170	4,279,638	168,324	0.2615	8,022,377	315,531	7,875,170
29	0.0161	4,348,540	171,186	0.2275	9,495,704	373,810	9,293,080
30	0.0268	4,465,081	173,942	0.1295	10,322,128	402,109	10,093,961
31	0.0339	4,616,447	178,603	(0.0295)	9,617,485	372,086	9,424,002
32	0.0155	4,688,002	184,658	(0.0598)	8,675,553	341,725	8,518,486
33	0.0238	4,799,577	187,520	(0.1148)	7,352,958	287,281	7,253,197
34	0.0188	4,889,809	191,983	0.2083	8,571,801	336,545	8,427,240
35	0.0326	5,049,217	195,592	0.0886	8,978,427	347,799	8,826,221
36	0.0342	5,221,900	201,969	0.0412	8,988,025	347,632	8,842,361
37	0.0254	5,354,536	208,876	0.1161	9,660,083	376,832	9,492,128
38	0.0408	5,573,001	214,181	0.0534	9,784,873	376,052	9,623,003
39	0.0009	5,578,017	222,920	(0.2302)	7,185,204	287,150	7,120,975
40	0.0272	5,729,739	223,121	0.1822	8,194,939	319,118	8,098,942
41	0.0150	5,815,685	229,190	0.1308	8,928,771	351,873	8,806,087

Distribution Over/ Under	Distribution Percent of Target	Inflation Index	Actual Distribut Const $
-722	98.20%	105.49	37,234
1,329	103.15%	109.03	39,919
4,564	110.46%	112.75	42,728
-5,617	87.55%	122.67	32,186
-19,465	60.33%	137.64	21,509
-16,123	70.72%	147.29	26,433
-12,290	79.14%	154.37	30,203
-20,118	67.42%	164.83	25,258
-24,886	62.25%	179.71	22,839
-28,957	59.72%	203.63	21,081
-30,067	63.09%	228.88	22,451
-42,206	53.90%	249.34	19,790
-36,621	63.28%	258.99	24,370
-31,757	69.35%	268.83	26,723
-32,423	69.85%	279.45	26,877
-17,132	84.67%	289.99	32,639
-5,263	95.46%	293.26	37,759
-10,401	91.13%	306.20	34,914
-5,129	95.81%	319.73	36,703
15,250	111.92%	334.60	42,780
1,582	101.18%	355.04	38,142
28,397	120.00%	365.90	46,573
30,107	120.57%	376.52	46,869
37,203	124.70%	386.87	48,546
23,657	115.29%	397.20	44,916
70,397	144.31%	407.29	56,293
92,012	156.48%	420.81	60,580
147,207	187.45%	427.96	73,728
202,624	218.37%	434.85	85,962
228,167	231.17%	446.51	90,056
193,482	208.33%	461.64	80,600
157,067	185.06%	468.80	72,894
99,761	153.20%	479.96	59,855
144,562	175.30%	488.98	68,826
152,206	177.82%	504.92	68,882
145,663	172.12%	522.19	66,572
167,956	180.41%	535.45	70,376
161,871	175.58%	557.30	67,477
64,230	128.81%	557.80	51,479
95,997	143.02%	572.97	55,695
122,683	153.53%	581.57	60,504

f

Dollars Generated by the Feoffees and Available for Distribution to
The Ipswich Public Schools, 1977 to Present

Year	Per Submission of Proponents of Bill	Actual	Document Evidencing Monies Generated
1977		$7,500	Financial Statement
1978	$0	$7,500	Minutes of Feoffees Meeting (hereinafter "Minutes")
1979	$7,500	$7,500	Financial Statement
1980	$7,500	$7,500	Financial Statement
1981	$2,500	$2,500	Financial Statement
1982	$0	$3,500	Minutes
1983	$0	$4,000	Minutes
1984	$0	$2,000	Minutes
1985	$2,500	$2,500	Financial Statement
1986	--	$2,500	Financial Statement
1987	$0	$2,500	Minutes
1988	$0	$2,500	Minutes
1989	$0	$4,000	Minutes
1990	$0	$10,000	Minutes
1991	$0	$10,000	Minutes
1992	$0	$15,000	Minutes
1993	$4,761	$4,761	Financial Statement
1994	$0	$10,000	Minutes
1995	$25,000	$25,000	Financial Statement
1996	$50,000	$50,000	Financial Statement
1997	$50,000	$50,000	Financial Statement
1998	$173,000	$173,000	Financial Statement
1999	$0	$25,000	Tax Return
2000	$25,000	$25,000	Financial Statement
2001	$50,000	$50,000	Financial Statement
2002	$282,970	$282,970	Financial Statement
2003	$245,000	$245,000	Financial Statement
2004	$305,545	$308,545	Copy of Check
2005	$300,000	$300,000	Copy of Check
2006	$573,000	$450,000& 138,000	Copies of Checks

FEOFFEES OF THE GRAMMAR SCHOOL

IPSWICH, MASSACHUSETTS

Jerome Richardson, Chairman
Alexander B. C. Mulholland, Jr.

Donald F. Whiston, Treasurer
George W. Hayes

Financial Statement 1977

Cash Balance January 1, 1977	$ 3,940.32	
Cash Recieved 1977	130,367.44	
	134,307.76	
Expenditures 1977	134,055.42	
Cash Balance December 31, 1977	252.34	

Little Neck (land only) valued at			$ 97,500.00
Store Building			4,600.00
Barn			1,090.00
Wharf			1,019.00
Cash in First National Bank-Ipswich			252.34
On Deposit-Ipswich Savings Bank		17,255.88	
Interest		1,072.71	18,328.59
On Deposit-Ipswich Savings Bank			
Farm Account		6,406.48	
Interest		228.24	6,634.72
On Deposit-Ipswich Savings Bank			
Special Account		3,767.69	
Interest		337.67	4,105.36
On Deposit-Ipswich Co-op. Bank		8,136.02	
Interest and Dividends		559.36	8,695.38
	Cost	Value	
234 Shs 1st Nat'l Boston Corp.	2,748.18	5,850.00	
140 Shs Shawmut Ass'n Corp.	2,748.63	3,990.00	
Ipswich Co-op Paid up Cert.	2,000.00	2,000.00	
			11,840.00
			$154,065.39

$7,500.00 was donated to the town for support of schools.

The following taxes were paid to the Town of Ipswich:

Land	Assessed Value	97,500.00	$ 6,873.75
Store	" "	4,600.00	324.30
Barn	" "	1,090.00	76.85
Wharf	" "	1,019.00	71.84
Cottages	" "	1,126,590.00	78,682.34
		1,230,799.00	$86,029.08

Respectfully submitted,

Donald F. Whiston
Treasurer

FEOFFEES OF THE GRAMMAR SCHOOL

IPSWICH, MASSACHUSETTS

Schedule II

Expenditures

January 1, 1977 to December 31, 1977

Taxes:		
Town of Ipswich	$86,029.08	
Internal Revenue Service	140.40	$86,169.48
Donation:		
Town of Ipswich School Department		7,500.00
Repairs and Maintenance:		
Roads	1,313.26	
Trees and Brush	1,685.50	
Walls	92.12	
Community Center	66.31	
Playground	202.38	3,359.57
Police:		
Town of Ipswich	1,742.00	
Telephone	176.10	1,918.10
Salaries and Expenses:		
Salaries	3,383.84	
Transportation	800.00	
Meetings	160.53	
Rental Safe Deposit Box	13.00	
Office Supplies and Postage	109.70	4,467.07
Insurance and Bond:		574.00
Miscellaneous:		67.20
Deposited in Savings Account:		30,000.00
		$134,055.42

Mr. Whiston then gave his report as Manager noting in particular the severe erosion damage which had occurred during a thunder storm this past Summer, and steps taken to correct the same; the excellent cooperation from the Ipswich Police Department and Peter George, the Harbor Master; his meeting with the group conducting the present proposed sewerage extension survey to advise them of the placement of underground utilities and water lines.

Mr. Whiston closed by noting that in general it had been a very good year.

On motion duly made by Donald F. Whiston and seconded it was

VOTED: That the land rent fee remain the same as last year, that being $145.00 for Summer residents and $245.00 for year around residents.

On motion duly made by Donald F. Whiston and seconded it was

VOTED: That the annual donation to the Town of Ipswich School Department remain at $7,500.00.

Mr. Richardson then expressed his appreciation as Chairman to the various Town Officials and Departments for their continued cooperation at the Neck.

On motion duly made by Donald F. Whiston and seconded it was

VOTED: To adjourn at 6:00 P.M.

Respectfully submitted:
George H. W. Hayes II
George H. W. Hayes II, Clerk

S C H E D U L E I I

Expenditures

January 1 - December 31, 1979

Taxes:		
Town of Ipswich		$ 94,493.26
Director of Internal Revenue		123.94
		94,617.20
Repairs:		
Roads	$ 550.03	
Wharf	170.00	
Tree Work	397.50	
Playground & Community Center	2,902.06	
Miscellaneous	2,306.51	
		6,326.10
New work:		
Gate		1,023.00
Salaries and Expenses:		
Salaries	2,869.23	
Transportation	1,800.00	
Legal	1,200.00	
Meetings & Dinners	137.00	
Office Supplies & Postage	314.06	
Telephone	170.51	
		6,490.80
Police		1,120.00
Insurance and Bond		2,026.00
Town of Ipswich Schools		7,500.00
		$119,103.10

SCHEDULE II

Expenditures

January 1 - December 31, 1980

Taxes:		
Town of Ipswich		$ 45,201.50
Repairs:		
Road	$ 686.74	
Wharf	250.00	
Tree Work	2,480.00	
Playground & Community Center	1,878.00	
Miscellaneous	427.43	5,722.17
Salaries & Expenses:		
Salaries	2,400.00	
Transportation	1,800.00	
Police	1,352.00	
Telephone	138.44	
Meetings & Dinners	184.20	
Office Supplies & Postage	364.83	
Insurance	943.00	
Interest	612.08	7,794.55
Brady Hot Top Roads		23,860.00
Money Market Certificate		10,000.00
Town of Ipswich Public Schools		7,500.00
Loan Payment		2,000.00
		$102,078.22

S C H E D U L E I I

Expenditures

January 1 - December 31, 1981

Taxes:		
Town of Ipswich	$211,794.48	$211,794.48
Repairs:		
Water Pipes	4,188.56	
Wharf	453.54	
Playgrounds	478.25	
Tree Work	555.00	
Miscellaneous	536.44	6,211.79
Salaries & Expenses:		
Salaries	3,200.00	
Transportation	1,800.00	
Police	1,560.00	
Legal	600.00	
Telephone	151.11	
Meetings & Dinners	234.40	
Office Supplies & Postage	292.66	
Insurance	1,799.00	
Interest	933.02	10,570.19
Town of Ipswich Public Schools		2,500.00
Loan Payment		11,000.00
		$242,076.46

1982

In his managers report, Mr. Whiston, expressed his concern regarding our water system at the Neck. He noted that during the past year there had been an expenditure of $4188.00 for emergency repairs to the system, causing him at times to feel he worked for the Town of Ipswich Water Department. Mr. Whiston further suggested that the Feoffees consider the initiation of a Master Water Plan with the possibility of deep water service to the homes on the Neck.

He further took note of our continuing problem with so-called winter squatters, noting that since the 1976 directive from the Ipswich Board of Health there should only be seventeen (17) year round residences.

Mr. Whiston further noted that the past summer had generally been a good season particularly with the implementation of extended police presence at the gate and at the Neck. He did point out, however, that there had been a rash of recent breaks which the Ipswich Police Department was presently investigating.

On motion duly made by Mr. Damon, and seconded, it was

VOTED: that the Feoffees forward to the Town of Ipswich School Department the sum of $3500.00.

On motion duly made by Mr. George H. W. Hayes II, and seconded, it was

VOTED: that the summer and year round land rents would remain the same as the preceeding year.

In closing, Mr. Richardson again expressed the appreciation of the Feoffees and home owners for the continuing assistance given by the various town officials and imparticularly policemen.

On motion duly made, and seconded, it was

VOTED: To adjourn at 5:35 P.M.

Respectfully submitted:

George H. W. Hayes II

George H. W. Hayes II, Clerk

In the area of management, Mr. Whiston commented on our continuing problem with year round squatters. He noted that an increasing number of owners appear to be using their premises on a year round weekend visit schedule, and that this was in violation of a Town of Ipswich Board of Health directive.

In closing, Mr. Whiston felt that in all other areas of management the neck was in good shape.

On motion duly made by Mr. Mulholland, and seconded, it was

VOTED: That the Feoffees forward to the Town of Ipswich School Department the sum of $4,000.00.

On motion duly made by Mr. Mulholland, and seconded, it was

VOTED: That the summer and year round land rents would remain the same as the preceeding year.

In closing, Mr. Richardson again expressed the appreciation of the Feoffees and home owners for the continuing assistance given by the various town officials and imparticularly policemen.

On motion duly made, and seconded, it was

VOTED: To adjourn at 5:35 P.M.

Respectfully submitted:

George H. W. Hayes II

George H. W. Hayes II, Clerk

337 Le Feuvre Feb. 8, 1984 at 5:08 P.M.
Dec. report as presented

Affairs same as last year. Arthur St Clair

Comm. on Affairs same as last year.

D.W. with split year, have difficulty collecting
tax & rent part. in Dec. period - whole bills
come out earlier in tax periods - have 17 delinquents
this year & are down around $7000. in back taxes
water project on Town Rd. was major expense
for year amounted to over $17,000.
We will have to do work on the wharf as it is
slowly falling apart. There has been some
erosion at Little Neck entrance & town will try to
aid us with some boulders. Cliff Bowen is
now our part handyman & is doing a great job.
Police did an excellent job & Mrs Lee was
very great.

$2000. to Town of Ipswich School Department.

5:35

S C H E D U L E I I

EXPENDITURES

July 1, 1984 - June 30, 1985

Taxes		
Town of Ipswich		$ 183,042.86
Contribution to Ipswich Schools		2,500.00
Repairs & Upkeep		
Water	67,698.72	
Wharf and Docks	1,282.99	
Community Center	3,153.39	
Playgrounds	1,239.60	
Tree Work	1,774.14	
Hot Topping Roads	16,647.69	
Greenhead Traps	431.78	
Water Drain	825.00	93,053.31
Salaries & Expenses		
Salaries	5,850.00	
Transportation	1,800.00	
Police	3,018.00	
Telephone	169.58	
Meetings and Dinners	322.95	
Office Supplies	356.53	
Insurance	2,083.00	13,600.06
		$ 247,196.23

SCHEDULE II

EXPENDITURES

July 1, 1985 - June 30, 1986

Taxes		
Town of Ipswich		$ 187,084.00
Contribution to Ipswich Schools		2,500.00
Repairs & Upkeep		
Water	53,041.04	
Wharf and Docks	785.11	
Playgrounds	1,330.00	
Tree Work	4,241.00	
Hot Topping Roads	8,000.00	
Signs for Streets	888.90	68,286.05
Salaries & Expenses		
Salaries	6,800.00	
Transportation	1,800.00	
Police	3,285.00	
Office Supplies	368.00	
Meetings and Dinners	307.17	
Telephone	209.66	
Interest	1,603.82	
Insurance	833.00	15,206.65
		$ 273,076.70

The Ipswich Police Department was again a source of great pleasure to the Feoffees for their continued assistance at the gate and in patroling the Neck. Officer Ed Rauscher has been extremely helpful in his particular interest in protecting properties at the Neck.

Mr. Whiston also noted that the real estate sales prices for cottages at the Neck had escalated at an extraordinary pace during the last year, and was a source of continued amazement to the Feoffees.

He also was pleased to note the attendance of Vera Cutler and Josephine McFaun, who came up from the Neck to view the proceedings.

On a motion by the Chairman, and seconded, it was

VOTED: To direct and authorize the Treasurer to forward to the Town the sum of two thousand five hundred ($2,500) Dollars as our contribution to the Town of Ipswich School Budget.

On a motion made by Mr. George, and seconded it was

VOTED: To maintain the land rent charge to $300 for summer residences and $500 for year-round residences.

Finally, on a Motion duly made and seconded, it was

VOTED: To adjourn at 5:45 p.m.

Respectfully submitted,

George H. W. Hayes II

George H. W. Hayes, II

1988

On a motion by the Chairman, and seconded, it was

VOTED: To direct and authorize the Treasurer to forward to the Town the sum of two thousand five hundred ($2,500) Dollars as our contribution to the Town of Ipswich School Budget.

On a motion made by Mr. Hayes, and seconded it was

VOTED: To increase the land rent charge to $400 for summer residences and $600 for year-round residences.

Mr. Hayes then gave a short history of the origins and reasons for the establishment of the Feoffees of the Ipswich Grammar School, and past out copies of legal research in connection therewith, a copy of which is included in the record of the minutes of this meeting.

Finally, on a Motion duly made and seconded, it was
VOTED: To adjourn at 6:00 p.m.

Respectfully submitted,

George H. W. Hayes II

George H. W. Hayes, II

Mr. Whiston then introduced James Foley, as a new member of the Feoffees, who had grown up on Little Neck, and has continued to have a substantial interest in the affairs of the cottage owners and the preservation of the current character of Little Neck.

On a motion by Mr. Foley, and seconded, it was

VOTED: To direct and authorize the Treasurer to forward to the Town the sum of four thousand ($4,000) Dollars as our contribution to the Town of Ipswich School Budget.

On a motion made by Mr. Hayes, and seconded it was

VOTED: To keep the land rent charge to $400 for summer residences and $600 for year-round residences.

Finally, on a Motion duly made and seconded, it was

VOTED: To adjourn at 5:35 p.m.

Respectfully submitted,

George H. W. Hayes, II

1990

~~Even~~ Even if value of land decreases town will adjust tax rate to get same dollars to run town so we still still pay same dollar amt. or more.

We would like to pay our allotment on schools should be given to school comm. directly.

Mr. Wetherell raised price of house sales & that valuation may be understated and public should have major outcry to force Trustees to do more.

Mr. Simon stated he wanted to increase dialogue, but not in paper, with the Trustees. Perception in town is that trust is being run for benefit of cottage owners & not for benefit of school ~~sys~~ system. We have had discussions with Town Counsel & what course of action school comm. should take to get more money from trust.

We are very open to have discussions with school comm. but not in newspaper.
~~Mr.~~ Mrs. Schurcliff raised issue of capital value of the Neck.

Mr. Simon thought value of land should be used as gauge for how much results should be ie: $10 mil. at 5% = $500,000 return on investment

J.C. spoke - have been concerned about ~~Neck~~ Neck since being a selectman. Get valuation issue settled, avoid legal battle & keep in mind cottage owners of long standing, bitterness of all this taking money to legitimate school project.

D.W. welcomed dialogue

44 53A statutory authority at least 4000. 4000.

4 71 amt increase [illegible] 200 adjourned at 6:20 PM

1991

Treasurer Report

Year was given

Land Values 18 mill + Homes 9 mill

Bldg CC etc 75,600

Collected taxes 247,643

Rents 51,000 (600 - 800)

1989-1990 was final year on water project when cost 300m

Cost of Police on rise - Very responsive and helpful - did a good job

& Rangers very helpful on yr round basis

Discussion last year created dialogue between Fea & Jeff Sims of School Committee

DPW has had conversation with Dick Thompson

Discussion to be had with Selectmen re Charlie Dalton to find out what course of action could be taken to get more money from Trust. - Fea have not been informed as yet if any course can be followed

Voted Vote done

Raised rent 200 to 600 - 800 yr rd

10000 will be pd in May 4000 to Town 6000 to School

Vote same this yr

Mr. Whiston explained the status of winter residents in regards to septic systems and their use. Restrictions were placed on this type of year round system by the Board of Health in the mid 1970's. Mr. Foley will speak to the Coastal Pollution Control Committee in regards to drainage and septic problems at Little Neck.

Superintendent of Schools Thompson advised the Feoffees on the Computer Program at the Ipswich Middle School. Due to a donation to the schools, in regards to this matter, the units should be in service by late 1992.

On a motion by Mr. Foley, and seconded by Mr. Mulholland, it was

VOTED: To direct the Treasurer to forward to the Town of Ipswich Schools the sum of fifteen thousand ($15,000.00) dollars for specific projects agreed upon and voted on by the Ipswich School Committee on a recommendation by the Superintendent of Schools.

On a motion by Mr. Mulholland, and seconded by Mr. Whiston, it was

VOTED: That land rent charge be placed at $600.00 for summer residents and $800.00 for year round residents.

On a motion by Mr. Mulholland, and seconded by Mr. Foley, it was

VOTED: To adjourn at 5:35 p.m.

Respectfully submitted,

James W. Foley

James W. Foley, Clerk

1993

Schedule II

Expenditures

July 1, 1992 - June 30, 1993

Taxes	
• Town of Ipswich	$283,561.54
Repairs & Upkeep	
• Wharf & Docks	4,998.21
• Playgrounds	1,565.00
• Tree & Brush Work	5,619.00
• Road Paving & Repair	4,405.00
• Maintenance	2,327.18
Salaries	
• Salaries	7,000.00
• Transportation	500.00
• Police	4,428.70
• Office Supplies	615.95
• Meetings	230.90
• Signs for 911	645.45
• Insurance	8,764.00
• Computer	1,470.00
• Contribution to Schools	4,761.00
• Transfer to Savings - School Accounts	51,000.00
	$381,891.93

Mr. Whiston and Mr. Greenough discussed the easement procedure that would allow Town Public Safety and Utilities to enter upon land owned by the Feoffees, in accordance with Massachusetts General Law. The issue will be discussed with Town Manager Howe and the Board of Selectmen during 1994.

On a motion by Mr. Foley, and seconded by Mr. Mulholland, it was

VOTED: To direct the Treasurer to forward to the Town of Ipswich Schools the sum of ten thousand ($10,000.00) dollars for specific projects agreed upon and voted on by the Ipswich School Committee on a recommendation by the Superintendent of Schools.

On a motion by Mr. Mulholland, and seconded by Mr. Whiston, it was

VOTED: That land rent charge be placed at $600.00 for summer residents and $800.00 for year round residents.

On a motion by Mr. Whiston, and seconded by Mr. Mulholland it was

VOTED: To adjourn at 5:35 P.M.

Respectfully submitted,

James W. Foley

James W. Foley, Clerk

SCHEDULE II
Expenditures
July 1, 1994 - June 30, 1995

Taxes	
*Town of Ipswich	$303,809.05
Repairs and Upkeep	
*Community Center	7,980.86
*Docks	1,200.00
*Split Rail Fence	4,751.80
*Playgrounds	1,865.00
*Tree and Brush Cutting	16,815.19
*Road Paving and Repair	8,448.88
*Maintenance	2,056.97
Other Expenses	
*Salaries	5,500.00
*Transportation	500.00
*Police	5,037.01
*Office Expense	902.36
*Insurance	20,100.00
*Meetings	515.89
*Legal	1,046.40
*Gift to Ipswich Schools	25,000.00
Abated Taxes Returned	843.22
*Transfer Funds to Title 5 Account	5,500.00
	$411,872.63

SCHEDULE II
Expenditures
July 1, 1995 - June 30, 1996

Taxes	
*Town of Ipswich	$312,857.25
Repairs and Upkeep	
*Docks & Floats	2,873.45
*Playgrounds	765.00
*Tree & Brush cutting	6,733.75
*Road Paving & Repair	2,827.00
*Guard Rails & Posts	1,458.00
*Maintenance	2,534.61
Other Expenses	
*Salaries	6,500.00
*Transportation	500.00
*Police	5,413.99
*Office Expense	880.23
*Insurance	10,789.00
*Meetings	487.30
*Legal	1,207.50
*Flag Pole	525.98
*Abated Taxes Returned	128.12
*Gifts to Ipswich Schools	50,000.00
	$406,481.18

SCHEDULE II
Expenditures
July 1, 1996 - June 30, 1997

Taxes	
*Town of Ipswich	$320,088.67
Repairs and Upkeep	
*Docks & Floats	1,894.76
*Playgrounds	2,550.00
*Tree & Brush cutting	17,047.50
*Road Paving & Repair	2,761.60
*Maintenance	2,948.45
Other Expenses	
*Salaries	6,700.00
*Transportation	500.00
*Police	4,771.85
*Office Expense	746.97
*Insurance	10,892.00
*Meetings	350.00
*Legal	1,815.00
*Title 5 Engineering	400.00
*Consultant	2,900.00
*Returned checks & service charges	3,727.80
*Gifts to Ipswich Schools	50,000.00
	$430,094.60

FEOFFEES OF THE GRAMMAR SCHOOL

Financial Statements

June 30, 1998

DAN CLASBY & COMPANY

Certified Public Accountants

FEOFFEES OF THE GRAMMAR SCHOOL

Statement of Activities - Cash Basis

For the Year Ended June 30, 1998

Support and Revenue:	
Buildings, home and land collections	$ 304,780
Rents	131,828
Interest	6,715
Total support and revenue	443,323
Expenses:	
Real estate taxes	304,780
Gift to town	173,000
Docks and floats	1,700
Consulting and engineering fees	3,884
Insurance	10,928
Police	5,117
Water line repairs	4,426
Tree and brush cutting	2,785
Salaries	6,700
Legal	1,943
Maintenance	3,432
Playgrounds	1,445
Office expense	816
Transportation	500
Meetings	339
Total expenses	521,795
Change in net assets	(78,472)
Net assets, beginning of year	15,618,397
Net assets, end of year	$ 15,539,925

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements.

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation) or section 4947(a)(1) nonexempt charitable trust.

Note: *The organization may have to use a copy of this return to satisfy state reporting requirements.*

OMB No. 1545-0047

1999

This Form is Open to Public Inspection

For the 1999 calendar year, OR tax year period beginning JUL 1, 1999 and ending JUN 30, 2000

Check if: ☐ Change of address ☐ Initial return ☐ Final return ☐ Amended return (required also for state reporting)

Please use IRS label or print or type. See Specific Instructions.

C Name of organization
FEOFFEES OF THE GRAMMER SCHOOL
IN THE TOWN OF IPSWICH

Number and street (or P.O. box if mail is not delivered to street address) Room/suite
2 DEPOT SQUARE, P.O.BOX 709

City or town, state or country, and ZIP+4
IPSWICH, MA 01938

D Employer identification number
[redacted]

E Telephone number
978-356-1040

F Check ▶ ☐ if exemption application is pending

G Type of organization ▶ ☐ Exempt under 501(c) ( ) ◀ (insert number) OR ▶ ☐ section 4947(a)(1) nonexempt charitable trust

Note: Section 501(c)(3) exempt organizations and 4947(a)(1) nonexempt charitable trusts MUST attach a completed Schedule A (Form 990).

H(a) Is this a group return filed for affiliates? ☐ Yes ☒ No

(b) If 'Yes,' enter the number of affiliates for which this return is filed: ▶

(c) Is this a separate return filed by an organization covered by a group ruling? ☐ Yes ☒ No

I If either box in H is checked 'Yes,' enter four-digit group exemption number (GEN) ▶

J Accounting method: ☒ Cash ☐ Accrual ☐ Other (specify) ▶

K Check here ▶ ☐ if the organization's gross receipts are normally not more than $25,000. The organization need not file a return with the IRS; but if it received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

Note: *Form 990-EZ may be used by organizations with gross receipts less than $100,000 and total assets less than $250,000 at end of year.*

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

Revenue	1	Contributions, gifts, grants, and similar amounts received:		
	a	Direct public support	1a	
	b	Indirect public support	1b	
	c	Government contributions (grants)	1c	
	d	Total (add lines 1a through 1c) (attach schedule of contributors) (cash $ ____ noncash $ ____)	1d	0.
	2	Program service revenue including government fees and contracts (from Part VII, line 93)	2	
	3	Membership dues and assessments	3	
	4	Interest on savings and temporary cash investments	4	
	5	Dividends and interest from securities	5	
	6 a	Gross rents SEE STATEMENT 1	6a 521,340.	
	b	Less: rental expenses	6b	
	c	Net rental income or (loss) (subtract line 6b from line 6a)	6c	521,340.
	7	Other investment income (describe ▶ INTEREST ON SAVINGS)	7	2,191.
	8 a	Gross amount from sale of assets other than inventory (A) Securities / (B) Other	8a	
	b	Less: cost or other basis and sales expenses	8b	
	c	Gain or (loss) (attach schedule)	8c	
	d	Net gain or (loss) (combine line 8c, columns (A) and (B))	8d	
	9	Special events and activities (attach schedule)		
	a	Gross revenue (not including $ ____ of contributions reported on line 1a)	9a	
	b	Less: direct expenses other than fundraising expenses	9b	
	c	Net income or (loss) from special events (subtract line 9b from line 9a)	9c	
	10 a	Gross sales of inventory, less returns and allowances	10a	
	b	Less: cost of goods sold	10b	
	c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c	
	11	Other revenue (from Part VII, line 103)	11	
	12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	523,531.
Expenses	13	Program services (from line 44, column (B))	13	25,000.
	14	Management and general (from line 44, column (C))	14	472,130.
	15	Fundraising (from line 44, column (D))	15	
	16	Payments to affiliates (attach schedule)	16	
	17	Total expenses (add lines 16 and 44, column (A))	17	497,130.
Net Assets	18	Excess or (deficit) for the year (subtract line 17 from line 12)	18	26,401.
	19	Net assets or fund balances at beginning of year (from line 73, column (A))	19	15,555,939.
	20	Other changes in net assets or fund balances (attach explanation)	20	0.
	21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	15,582,340.

990 RENTAL INCOME STATEMENT 1

IND AND LOCATION OF PROPERTY	ACTIVITY NUMBER	GROSS RENTAL INCOME
AND LITTLE NECK PLUS ASSESMENTS	1	521,340.
OTAL TO FORM 990, PART I, LINE 6A		521,340.

ORM 990 OTHER EXPENSES STATEMENT 2

ESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING
EAL ESTATE TAXES	314,182.		314,182.	
NSURANCE	11,015.		11,015.	
OLICE DETAILS	8,224.		8,224.	
ONSULTANTS	64,812.		64,812.	
RANSPORTATION	600.		600.	
EPAIRS AND UPKEEP	58,945.		58,945.	
OTAL TO FM 990, LN 43	457,778.		457,778.	

ORM 990 CASH GRANTS AND ALLOCATIONS STATEMENT 3

LASSIFICATION	DONEE'S NAME	DONEE'S ADDRESS	DONEE'S RELATIONSHIP	AMOUNT
DUCATIONAL	TOWN OF IPSWICH		NONE	25,000.
OTAL INCLUDED ON FORM 990, PART II, LINE 22				25,000.

FEOFFEES OF THE GRAMMAR SCHOOL

Financial Statements

June 30, 2000

DAN CLASBY & COMPANY

Certified Public Accountants

FEOFFEES OF THE GRAMMAR SCHOOL

Statement of Activities - Cash Basis

For the Year Ended June 30, 2000

Support and Revenue:	
Buildings, home and land collections	$ 314,182
Rents	202,158
Interest	2,380
Total support and revenue	518,720
Expenses:	
Real estate taxes	314,182
Consulting and engineering fees	64,812
Docks and floats	42,944
Gift to town	25,000
Insurance	11,015
Water and road repairs	9,527
Police	8,224
Salaries	7,800
Legal	4,589
Tree and brush cutting	2,785
Maintenance	2,649
Playgrounds	1,040
Office expense	1,030
Interest expense	745
Transportation	600
Meetings	187
Total expenses	497,129
Change in net assets	21,591
Net assets, beginning of year	15,555,939
Net assets, end of year	$ 15,577,530

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements.

FEOFFEES OF THE GRAMMAR SCHOOL

Financial Statements

June 30, 2001

DAN CLASBY & COMPANY
Certified Public Accountants

FEOFFEES OF THE GRAMMAR SCHOOL

Statement of Activities - Cash Basis

For the Year Ended June 30, 2001

Support and Revenue:	
Buildings, home and land collections	$ 317,105
Rents	290,723
Interest	11,660
Total support and revenue	619,488
Expenses:	
Real estate taxes	317,105
Gift to town	50,000
Consulting and engineering fees	47,866
Maintenance	12,636
Salaries	9,600
Legal	8,418
Insurance	8,253
Kitchen – Community Center	7,296
Police	7,009
Water and road repairs	3,667
Landscaping	3,135
Docks and floats	1,350
Office expense	911
Telephone	261
Total expenses	477,507
Change in net assets	141,981
Net assets, beginning of year	15,577,530
Net assets, end of year	$ 15,719,511

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements.

FEOFFEES OF THE GRAMMAR SCHOOL

Financial Statements

June 30, 2002

DAN CLASBY & COMPANY

Certified Public Accountants

FEOFFEES OF THE GRAMMAR SCHOOL

Statement of Activities - Cash Basis

For the Year Ended June 30, 2002

Support and Revenue:	
Buildings, home and land collections	$ 334,043
Rents	361,756
Interest	11,449
Total support and revenue	707,248
Expenses:	
Real estate taxes	334,043
Gift to town	282,970
Water and road repairs	52,384
Salaries	9,600
Legal	8,811
Maintenance	7,266
Landscaping	6,475
Police	6,104
Insurance	5,095
Consulting and engineering fees	3,962
Docks and floats	1,400
Office expense	822
Telephone	316
Meetings	160
Total expenses	719,408
Change in net assets	(12,160)
Net assets, beginning of year	15,719,511
Net assets, end of year	$ 15,707,351

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements.

FEOFFEES OF THE GRAMMAR SCHOOL

Financial Statements

June 30, 2003

FEOFFEES OF THE GRAMMAR SCHOOL

Statement of Activities - Cash Basis

For the Year Ended June 30, 2003

	Undesignated	Board Designated	Total
Support and Revenue:			
Buildings, home and land collections	$ 389,483	$ -	$ 389,483
Rents	345,088	50,000	395,088
Interest income	8,545	-	8,545
Total support and revenue	743,116	-	793,116
Expenses:			
Real estate taxes	389,483	-	389,483
Gift to town of Ipswich Public Schools	245,000	-	245,000
Road maintenance	20,189	-	20,189
Horticultural and landscaping services	23,903	-	23,903
Community Center repairs	7,717	-	7,717
Other repairs	936	-	936
Salaries	9,600	-	9,600
Legal and accounting	16,658	-	16,658
Police details	6,566	-	6,566
Insurance	6,068	-	6,068
Consulting - DEP enforcement	1,085	-	1,085
Water testing fees	665	-	665
Office expense	329	-	329
State fees	500	-	500
Docks and floats	1,450	-	1,450
Telephone	313	-	313
Meetings	387	-	387
Total expenses	730,849	-	730,849
Change in net assets	12,267	50,000	62,267
Net assets, beginning of year	15,707,351	-	15,707,351
Net assets, end of year	$ 15,719,618	$ 50,000	$ 15,769,618

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements.

FEOFFEES GRAMMAR SCHOOL
IPSWICH, MASSACHUSETTS

2682

53-471/113
01

DATE 1/27/04

PAY TO THE ORDER OF Ipswich Schools $ 308,545 00

Three Hundred-Eight Thousand five Hundred-forty five & 00/100 DOLLARS

The First National Bank of Ipswich

FOR Rent 300000 Interest 8545.12 PAYMENT 9/10

David F Wheaton

⑈002682⑈ [redacted] [redacted]

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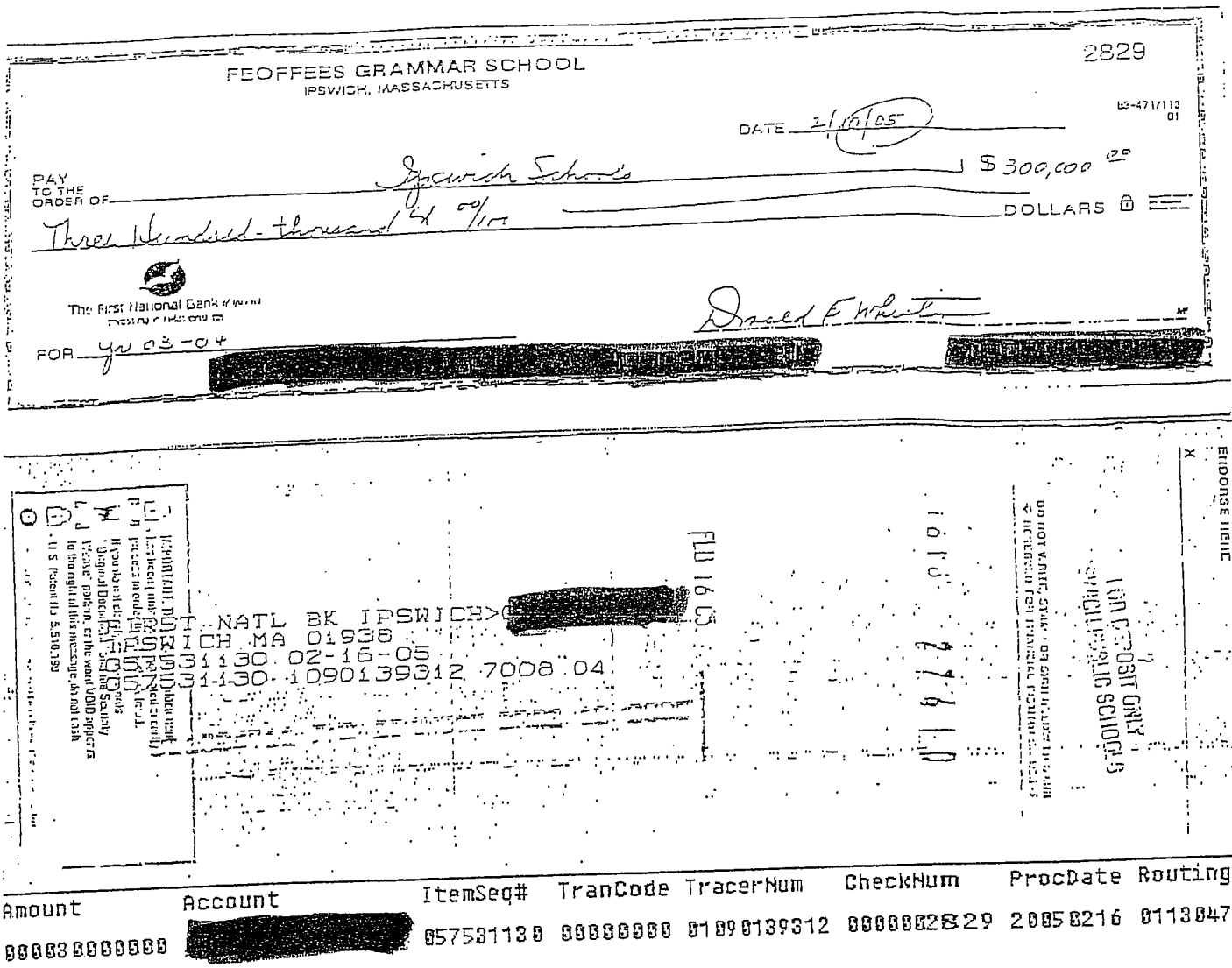


FEOFFEES GRAMMAR SCHOOL
IPSWICH, MASSACHUSETTS

2829

03-471/113
01

DATE 2/10/05

PAY TO THE ORDER OF Ipswich Schools $ 300,000 00

Three Hundred-thousand 00/100 DOLLARS

The First National Bank of Ipswich

FOR yr 03-04

[redacted]

David E White

ENDORSE HERE

X

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE
RESERVED FOR FINANCIAL INSTITUTION USE

FOR DEPOSIT ONLY
IPSWICH PUBLIC SCHOOLS

FEB 16 05

T NATL BK IPSWICH>[redacted]
ICH MA 01938
31130 02-16-05
31-130-1090139312 7008 04

[redacted]

Amount Account ItemSeq# TranCode TracerNum CheckNum ProcDate Routing

000030000000 [redacted] 057531130 00000000 1090139312 0000002829 20050216 01130471

FEOFFEES GRAMMAR SCHOOL
IPSWICH, MASSACHUSETTS

2962

DATE 7-28-06

PAY TO THE ORDER OF Town of Ipswich Public Schools

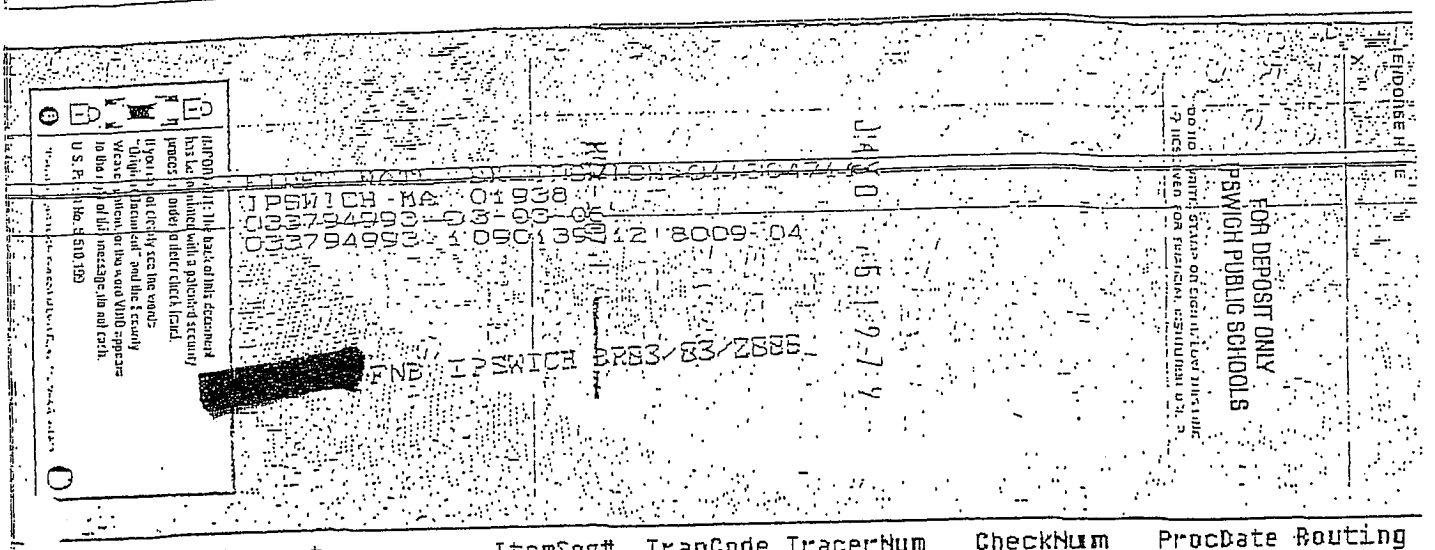
$ 450000.00

Four hundred and fifty thousand DOLLARS

The First National Bank of Ipswich

FOR Annual Appropriation 2006

"002962" [redacted]



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FEOFFEES GRAMMAR SCHOOL
IPSWICH, MASSACHUSETTS

2989

DATE 6-22-06

PAY TO THE ORDER OF Ipswich Public Schools $ 138,000.xx

one hundred and thirty eight thousand xxxx DOLLARS

The First National Bank of Ipswich

FOR [redacted]

⑈002989⑈

[redacted]

FOR DEPOSIT ONLY
IPSWICH PUBLIC SCHOOLS

FIRST NATL BK IPSWICH>011304704
IPSWICH MA 01938
⑆011791186⑆ 06295DD
⑆011791186⑆ 1090139312 8098704

[redacted] NB Hooley Cttee 29 2989

Amount	Account	ItemSeq#	TranCode	TracerNum	CheckNum	ProcDate	Routing
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PRESS RELEASE

The Feoffees of the Grammar School in the Town of Ipswich, the Ipswich School Committee and the Little Neck Legal Action Committee, representing most of the tenants of Little Neck, announced today that the Feoffees and the tenants have reached an agreement in principle whereby the Feoffees will sell and the tenants will purchase the land at Little Neck for a price of $26,500,000. The agreement to sell, if finalized, would settle the dispute between the parties.

The land is held in trust by the Feoffees to benefit the Ipswich public schools. A sale of the land must be approved by the Essex Probate Court and all parties have agreed to seek that approval. The result of a sale will be an endowment fund, the investment proceeds to provide annual support to benefit the Ipswich schools.

The tenants anticipate forming a business entity to take title to the real estate. Those individuals who have signed leases with the Feoffees will have the opportunity to participate in the business entity as will the tenants who have not signed leases.

Contact Information: Feoffees: James Foley (978) 360-2799

LNLAC: Mark DiSalvo (508) 633-3282
mdisalvo@sema4usa.com

H

PRESS RELEASE

The Feoffees of the Grammar School in the Town of Ipswich announced that the proposed sale of Little Neck to the cottage owners for $26,500,000 will not go forward because the cottage owners are not able to raise the purchase price. "We are sorry that the sale cannot be consummated, but understand the cottage owners' inability to raise the purchase price in these difficult economic times," said Feoffees Chairman James Foley.

The Feoffees intend to seek approval from the Essex Probate Court to file with the Ipswich Planning Board a plan of land dividing Little Neck into 168 lots, 167 lots improved with cottages and one lot to be used in common by all residents, so as to permit the Feoffees to sell lots to those cottage owners who wish to buy the lots on which their cottages are located. Such a plan is known as an "Approval Not Required" (ANR) plan, authorized by the state law that governs the division of a parcel of land which housed multiple buildings when the subdivision control law went into effect in Ipswich into as many lots as there were buildings. "Such sales will permit the Feoffees to raise money for the Endowment Fund desired by the School Committee. We will continue to offer to lease lots to those cottage owners who are unwilling or unable to purchase the lots on which their cottages are located." Foley said.

Probate Court approval is required because of the provision of William Paine's will which directs that the Little Neck land not be sold.

The Feoffees hope that the ANR plan and sale will lead to a successful resolution of the pending litigation with many of the cottage owners.

"We share the frustration of Ipswich residents with the inability over the last three years to continue making the sizable distributions the Feoffees have made to the schools over the preceding ten years. During those ten years, we distributed to the schools over $2,000,000.

Contrary to information being casually spread around town, minutes of the annual meetings of the Feoffees show a vote to make a contribution to the schools every year from 1978 to 2006 when the residents' litigation began." Foley said.

"It is important to remember that the lawsuit was not brought by the Feoffees. It was brought by those residents of Little Neck who objected to paying what the Feoffees believed and continue to believe are fair rents reflecting the value of the land rented. At all times since the lawsuit started we have kept the School Committee informed of the Feoffees' positions and the School Committee has been in total agreement with us on all financial issues.

"It is also important to remember that, even though the residents have not agreed to pay the rents we charged, by agreement filed with the Court, they are paying the difference between what they have agreed to pay and what the Feoffees believe is fair into escrow and that escrow account exceeds one million dollars. If the case goes to trial and the Feoffees are successful, the escrow monies will go to the Feoffees and ultimately be available to the schools. Of course, we continue to hope that we can resolve our differences with the residents and we continue to talk with their representatives." Foley said.

I

Agreement Reached on Sale of Little Neck

Feoffees and Homeowners agree to condominium deal to benefit Ipswich Schools

The Feoffees of the Grammar School in the Town of Ipswich, and the Little Neck Legal Action Committee ("LNLAC"), as representatives of the majority of the homeowners on Little Neck, announced today that they have reached an agreement to settle the longstanding dispute and litigation between the parties. A settlement agreement was signed by the parties effective December 24, 2009. In a joint statement, it was revealed that the Feoffees will establish a condominium on the land at Little Neck and sell condominium units to the existing homeowners who are currently renting the lots under their homes from the Feoffees. The aggregate price upon closing of all the units will be $29,150,000. That is $2,650,000 higher than the price established in the agreement reached in principle last year to sell Little Neck to the homeowners as a single parcel.

The settlement terms will be presented to the School Committee at a scheduled meeting on Thursday, January 7, 2010. "We believe this to be an excellent result for the schoolchildren of Ipswich, all Ipswich residents and the homeowners of Little Neck. This represents the fairest and most amicable way to settle all disagreements between the parties. We believe that upon completion of the settlement terms the Ipswich Public Schools will enjoy the single largest investment trust of any public school system in the entire Commonwealth of Massachusetts," said Mark S. DiSalvo, co-founder of LNLAC. "The Feoffees have filed an action in the Essex County Probate Court to allow the sale of the property and bring the benefits of this extraordinary cash infusion and investment opportunity to the Ipswich Public Schools. Both the Attorney General and the Ipswich School Committee are parties to that action and we hope they will join us in seeking the Court's approval. It is anticipated that the closings on individual condos will take place some months after a judgment of the Essex Probate Court authorizing the sale," stated Alexander Mulholland, Chairman of the Feoffees.

J

FEOFFEES OF THE GRAMMAR SCHOOL
P.O. Box 166
Ipswich, Massachusetts 01938

To: Feoffees of the Grammar School

From:, Peter Foote

Re.: Management Firms Estimate

Date: March 23, 2011

Pursuant to the meeting on 3-23-11 as regards the Manager position at Little Neck, I called three Management Firms and advised them of the Little Neck property and what was involved in the daily running of the location. These included the collection of rents, Payment of taxes, bills for various services and oversight, dispute resolution, permitting of construction projects, rules and regulation, enforcement,,managing the sewer system, responding to alarms 24-7,accounting and banking involving daily deposits, mail pickup Daily, and answering constituent inquiries, laison with local police as to events and traffic issues and parking. Meetings with town officials such as Building Inspector,Police Chief, Utilities Dept as to billing etc.

The three firms contacted were Gemini Properties from Merrimac, Ma., Crowningshield Properties of Peabody, and Great North Properties of Portsmouth NH.

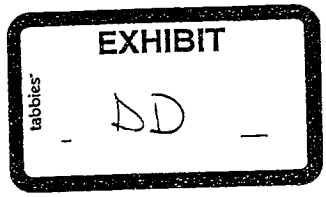
Gemini Properties quoted a formula for establishing their costs. They use 12% of the rents to reach their costs which would be $122,817, per year including on-site manager.

Crowningshield Properties of Peabody used 7 % of rents which is $81,874. per year

Great North of Portsmouth said they could do it for about $100,000 per year

Crowningshield and Great North said on-site manager would add to costs at $38 to $48 per hour.

Currently the position pays $20,000 per year without overtime. Computed at $25 per hour for 20 hours per week .



K

COLLIERS
MEREDITH & GREW

160 Federal Street
Boston, Massachusetts 02110-1701
Tel 617.330.8101
Fax 617.330.8129
bob.laporte@colliersmg.com
www.colliersmg.com

March 5, 2010

Jamie Fay, Chairman
Finance Committee
Town of Ipswich
c/o Fort Point Associates, Inc.
33 Union Street, 3rd Floor
Boston, MA 02108-2414

Re: Proposal for Real Estate Appraisal Services
Feoffees property at Little Neck

Dear Mr. Fay:

This letter is my proposal to provide you with real estate appraisal services regarding the 40 acre waterfront property known as Little Neck in Ipswich. This property is owned the Feoffees of the Ipswich Grammar School. Their land is occupied by 167 tenants who own the rights to 167 seasonal and year-round cottages.

Your request for this proposal included a memorandum that was forwarded to me. This provided the background of the property and the current circumstances that has required that an appraisal be completed. The Finance Committee has requested that an appraisal be completed that will provide the committee with a number of opinions of market value. The Committee will use the appraisal to establish whether or not the current offer terms proposed for the sale of this real estate are in the town's best interest. The appraisal will be used as part of the committee's determination.

The following recites the value estimates that the Finance Committee is requesting:

- Estimate the market rent of ground rents as currently operated and the value of the property based on its current use including the amenities of the parcel and the tenants' exclusive right to use the common areas.

- Estimate the market value of three approaches to a sale: (1) a bulk sale of the entire property to an investor to be developed to its highest and best use, (2) a bulk sale of the entire property to a newly formed, cottage-owner association which will create either new ground leases or an alternative form of ownership and (3) sale of individual lots (exclusive of the structures) as a condominium form of ownership.

- Estimate the value of the land as if vacant.

As we discussed, the value of a bulk sale to an investor could be similar to that as vacant. However, depending upon the conditions of sale, it may result in a different value estimate. In order to sell the site as vacant, one would anticipate legal and holding costs including demolition to reach a point where the site would in fact become vacant.

Additionally the request directs the appraiser to:

"The appraisal shall give due consideration to the potential for conversion of the seasonal cottages to year round use (which would be allowed under the Feoffees proposed settlement agreement) and to the constraints that exist by virtue of the current waste water treatment system serving Little Neck. The appraisal shall consider the potential for shoreline erosion only to the extent that the cost of erosion protection is less than the potential loss of land value."

The objective of the appraisal will be to provide a number of opinions of market value or market rent as of January 1, 2010.

Market Value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."[1]

[1] 12 C.F.R. Part 34.42 (g); 55 *Federal Register* 34696, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992; *Federal Register* 29499, June 7, 1994.

Market rent is defined as:

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).[2]

In preparing my opinions, I anticipate completing the following scope of services:

1. An inspection of the property;
2. Review of the available documents that describe and discuss the conditions associated with the various value estimates;
3. Interviews with individuals who you will disclose to us that have knowledge as to the existing operational state of affairs and issues of Little Neck including existing lease contracts, the history of individual rent contracts, payment of rent, operating expenses and the sewerage disposal operation.
4. Interviews with individuals who you will disclose to us that have knowledge as to the proposed real estate plan to form a new ownership entity that will create either long term ground leases or form a condominium association that will sell the individual pad sites to the cottage owners;
5. A review of the zoning and subdivision control regulations and meeting with the town planner;
6. Research into relevant market data and economic conditions; and
7. Application of relevant valuations techniques.

Our research and analysis will be consistent with the best practice standards of the Uniform Standards of Professional Appraisal Practice.

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[2] Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute), 2010.

As discussed we recommend the assistance of a civil engineer in developing a land use plan to establish the highest and best use as vacant.

The estimated fee for a self contained appraisal will be $27,500.

Three copies of the appraisal report will be delivered to you. Although our schedule is subject to change without notice, I anticipate that the report will be completed within forty-five (45) days from our receipt of your notice to proceed.

If this proposal is acceptable, please sign the authorization section of this letter and return it to me at your earliest convenience.

Thank you for the opportunity to submit this proposal.

Respectfully submitted,

Robert P. LaPorte, Jr., MAI, CRE
Senior Vice President
MA General R.E. Appraiser #735

RPL/cek

Acknowledged and Accepted:

By: _____ Date: _____